

NOTICE OF MEETING

Monday, 14 May 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. Appointment of Chairman, Vice Chairman and ELWA Limited "A" Director for the year 2012/13**
- 2. Apologies for Absence**

Items for Decision

- 3. Nominations Under Section 41 of the Local Government Act 1985 (Pages 1 - 2)**
- 4. Minutes - To confirm as correct the minutes of the meeting held on 6 February 2012 and note the previously agreed minutes of the Annual General Meeting on 27 June 2011 (Pages 3 - 13)**
- 5. Internal Audit Progress Report 2011/12, Audit Plan 2012/13 and Planned Audit Coverage to March 2017 (Pages 15 - 21)**

Items for Information

- 6. Projected 2011/12 Financial Outturn Position (Pages 23 - 27)**
- 7. Contract Monitoring to 31 March 2012 (Pages 29 - 31)**
- 8. ELWA Annual Review 2011-2012 (Pages 33 - 39)**
- 9. Food Waste Briefing (Pages 41 - 43)**



10. Dates of Next Meetings

- 16/07/2012 Workshop (Strategy Review, Waste Minimisation and Non-Contract Costs Savings)
- 17/09/2012 Approval of Annual Governance Report & Approval of draft Statement of Accounts (required by 30/09/12)
- 26/11/2012 Approval of IWMS Contract Annual Budget & Service Delivery Plan (required by 30/11/12)
- 04/02/2013 Approval of annual Levy (required by 15/02/13)
- 13/05/2013 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.

Confidential items for information

13. ELWA Ltd Agenda (Pages 45 - 77)

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

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

AUTHORITY REPORT: NOMINATIONS UNDER SECTION 41 OF THE LOCAL GOVERNMENT ACT 1985

1. Confidential Report

No

2. Recommendation:

2.1 In accordance with Section 41 of the Local Government Act 1985, the Authority is recommended to nominate from its membership, one Member from each of the Constituent Councils, to answer questions on behalf of the Authority, put by other Members of the Constituent Councils in the course of council proceedings, pertaining to the discharge of the Authority's functions for the year 2012/13.

3. Purpose

3.1 To seek nominations from ELWA as to which Members shall be responsible for answering questions on behalf of ELWA at their respective constituent council proceedings.

4. Background

4.1 Section 41 of the Local Government Act 1985 requires that, as a statutory Waste Disposal Authority, ELWA should make arrangements (whether by standing orders or otherwise) for enabling questions on the discharge of the functions of a joint authority to be put in the course of the proceedings of any constituent council by members of that council for answer by a member of it who is also a member of the authority and is nominated by the authority for that purpose. What this means is that ELWA, as a joint authority, must nominate from its membership, a Member from each of the four Constituent Councils as the person who will, on behalf of ELWA, answer questions put by other Members of the Constituent Councils in the course of council proceedings, pertaining to the discharge of ELWA's functions. This is a mandatory statutory requirement.

4.2 The usual practice has been for ELWA to nominate ELWA Members who are the respective council's lead Member for Environment/Waste to answer questions on behalf of ELWA. Members may wish to consider continuing that practice.

5. Relevant officer:

Eldred Taylor-Camara / e-mail: eldred.taylor-camara@lbbd.gov.uk / 020 8227 3344

6. Appendices attached:

6.1 None

7. Background papers:

7.1 Local Government Act 1985

8. Legal considerations:

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

9. Financial considerations:

9.1 There are no additional financial implications for ELWA arising from the recommendation in this report.

10. Performance management considerations:

10.1 None

11. Risk management considerations:

11.1 None

12. Equalities considerations:

12.1 None

13. Follow-up reports:

13.1 None

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

14.1 None

15. Glossary:

Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.

ELWA = East London Waste Authority

16. Approved by management board

16.1 23 April 2012

17. Confidentiality:

17.1 No

East London Waste Authority

AUTHORITY MINUTES: MONDAY, 6 FEBRUARY 2012 (9:30 - 11:20 AM)

Present: Councillor M Dunn (Deputy Chair), Councillor I Corbett, Councillor R Crawford, Councillor G Letchford, Councillor B Tebbutt and Councillor V Tewari

46 Apologies for Absence

Councillor S Kelly (Chairman), Councillor M A McCarthy.

47 Declaration of Members' Interests

Councillor Ian Corbett declared a personal interest in respect of the Annual Budget and Service Delivery Plan (agenda Items 5 and 13) as the ELWA-appointed 'A' Director to ELWA Limited.

48 Minutes of previous meeting

Members confirmed as correct the minutes of the Authority meeting on 28 November 2011.

49 Budgetary Control to 31 December 2011

The Finance Director presented his regular report on Revenue Estimates and Prudential Indicators. Reduced integrated waste management strategy (IWMS) contract costs had created a projected year end under spend of £1,661,000. If Solid Recovered Fuel (SRF) diversion increases or tonnage levels continue to drop then further savings would increase the year-end under-spend position. Clarification was provided regarding waste generated by the Thames Gateway development.

Members noted the report.

50 Treasury Management Strategy 2012/13

The Finance Director presented his report on the treasury management strategy for 2012/13. Clarification was provided in respect of choice of borrowing and investment institutions as well as the need for treasury management training.

Members agreed the recommendations set out in the report as follows:

- 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.

51 Annual Budget and Service Delivery Plan 2012-2013

The Managing Director presented his report, together with appendices. He advised that the contractor had discussed and submitted the Plan within the agreed timetable. It takes account of current and planned waste tonnages and operational performance in determining likely recycling and diversion rates for the coming year. Additionally, the contract allows for an annual retail price index inflationary cost increase. These factors are the basis of the Plan and resulting contractual costs.

Our attention has been drawn to the difficulties the contractor expects in reaching the contractual target of 27% because of Bio-MRF fines. In the 2012-13 ABSDP they only anticipate that they will achieve 25.7%. The contractor's longer term solution to this is by the use of their anaerobic digestion plant which is currently under construction, which is due to be commissioned in September 2012 and operational in April 2013. The contractor believes that this solution will help reduce the recycling target shortfall. The contractor has committed to finding other ways of increasing recycling to meet the shortfall and has agreed to increase staffing levels at the Reuse and Recycling Centres (RRCs) in order to manually extract recyclable waste. It is anticipated the waste diversion will be 62% for 2011-12 and that the 2012-13 ABSDP diversion rate, including recycling, is set at 78%. The additional diversion is a result of increased SRF output, this material is destined to be used in European Markets which is acceptable to the Environment Agency. Contractually the figure used to calculate the annual inflation rate for the contract is Octobers Retail Price Index. The Contractual cost is £53,623,000 which also includes an increase in landfill tax of £8 per tonne making our proportion to £49.00 per tonne.

Members have heard commentary on the benefits achieved to date by supporting the communications budget with additional funding and considered whether this should continue.

Members agreed the recommendation to approve the ABSDP as set out in paragraph 2.1 a) of the report.

Members rejected the allocation of the £150,000 in support of the ELWA Partnership Communications Strategy in order to cut costs.

52 Revenue & Capital Estimates and Levy 2012/13

The Finance Director provided commentary on his report explaining that ELWA is now in a position where the overall levy can be frozen for next year. It will then continue to increase in future years. The reason for the change in the levy projection is because the solid recovered fuel initiative has gone well.

His report was positive although Members were concerned about the future and

was asking to reduce costs. The Finance Director explained that the policy on waste is unlikely to change in the short term and that the Contract makes up for 95% of costs. Members suggested meeting to discuss what the other 5% consisted of. The Managing Director proposed that this could be done at the workshop in July.

The Managing Director advised that there will soon be a change in legislation and individual boroughs may consider reducing the number of Reuse & Recycling Centres.

Members agreed to the following recommendations:

- 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 (b) and (c) above, ELWA determines its levy for 2012/13 in 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.

53 Contract Monitoring to November 2011

Members received the Head of Operations report showing that waste tonnages continue to fall.

Controls at the Reuse & Recycling Centres are now being enforced. This is going well with few complaints and enquiries being received. Another round of communications will be going out to residents to inform them of the pending changes.

Members discussed whether there was an increase in fly-tipping because of the new system and whether fly-tippers should be prosecuted. It was felt that there was an increase in London Borough of Havering but not in the London Boroughs of Barking & Dagenham, Newham and Redbridge.

Members noted the report.

Members also received and noted a presentation by the Head of Operations on the Repeal of the Refuse Disposal (Amenity) Act 1978 and the Revised Waste Framework Directive.

54 Bulky Waste - Reuse Collections

Members received the Head of Operations comprehensive report on Bulky Waste and Reuse Collections including the waste minimisation initiative.

Containers have been installed at Reuse & Recycling Centre sites for people to use. Bulky Waste enquiries should be intercepted at call centres and the resident asked whether they have considered delivering their item to a third party organisation.

Members noted the report and agreed 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. Members suggested advertising the contact numbers of these third party organisations on the Boroughs' websites.

55 Review of the ELWA Integrated Waste Management Strategy (IWMS)

Members received the Managing Director's report prepared at the request to consider waste disposal options post-contract.

Officers' intention is to start the review in April and use the July authority workshop as the opportunity to consult with members. Whilst the review includes 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, officers will consider whether such wider consultation is required following the July workshop. Officers aim to produce the revised strategy for member approval by the end of the calendar year.

As ELWA are a third of the way through the contract, little can be done in terms of changing overall objectives. However, targets may be refreshed and the Managing Director will review with other Waste Authorities. The Managing Director will bring this to the Workshop in July together with waste minimisation.

Members noted the report.

56 Date of Next Meeting

Members noted that the next meeting will be held on 14 May 2012 (Annual General Meeting).

57 Private Business

We have resolved to exclude the public and press from the remainder of the meeting by reason of the nature of the business to be 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).

58 Annual Budget and Service Delivery Plan 2012-2013 - Appendix C

Members noted and agreed Appendix C to the Annual Budget and Service Deliver Plan report.

59 ELWA Ltd Agenda

Members received the ELWA Ltd Board papers for information.

Minutes agreed as a true record.

Chair:

Date:

This page is intentionally left blank

AUTHORITY MINUTES: MONDAY, 27 JUNE 2011 (9:38 - 11:40 AM)

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

1 **Appointment of Chairman, Vice Chairman and ELWA Limited "A" Director for the year 2011/12**

Councillor Kelly, Councillor Vincent and Councillor Corbett were appointed to the roles of Chairman, Vice Chairman and ELWA Limited 'A' Director respectively.

2 **Apologies for Absence**

Councillor G M Vincent; Councillor R Crawford.

3 **Declaration of Members' Interests**

There were no declarations of Members' Interests.

4 **Nominations Under Section 41 of the Local Government Act 1985**

Members received the Monitoring Officers Report and commentary.

Members agreed to appoint Councillors Vincent, Tebbutt, Corbett and Dunn as the lead Members for Environment/Waste who will, on behalf of ELWA, answer questions put to them by other Members of their own Constituent Council.

5 **Minutes of previous meeting**

Members requested that previous Annual General Meeting Minutes should be made available at the next and future Annual General Meetings.

Members agreed to confirm as correct the minutes of the Authority meeting held on 11 April 2011.

6 **Internal Audit Progress Report 2010/12, Audit Plan 2011/12 and Planned Audit Coverage to March 2016**

The Finance Director presented his report and stated that no major issues had arisen out of the 2010/11 audit.

Members agreed to note the audit coverage for 2010/11 and the proposed coverage for 2011/12 and Five Year Strategic Plan as outlined in the report and appendix.

7 **Final Financial Outturn for 2010/2011**

Members received the Finance Director's report which provided a summary of the outturn for the year 2010/11. Commentary was provided in respect of variances in

the accounts.

There is more buoyancy in commercial waste charges and therefore overall surplus is in line with the end of the year.

The Finance Director updated Members on the progress of the financial accounts, a draft set of which will be agreed and passed to the external auditors. Members will receive the final draft accounts for approval in September.

Members noted the report.

Members agreed to carry forward £100,000 into 2011/12 to cover service pressures.

8 Budgetary Control to 30 April 2011

The Finance Director recapped his report. Included in this report was information on the payment from Shanks relating to the equity share sale agreement and the failure to conclude the proposed contract variation.

Members asked that this is not shown in the accounts as it was not an income relating to the operation of the contract. The Finance Director will transfer this amount to a reserve account.

Members noted the report.

9 External Audit Plan 2010/11

Members received and noted the commentary from the external auditor's representative from PriceWaterhouseCoopers (PWC) relating to the contents of the 2010/11 Audit Plan. Members' attention was drawn to the communications plan and timetable. The Chairman thanked the external auditor for attending.

Members accepted the Audit Plan for 2010/11 as presented.

10 Contract Monitoring to April 2011

Members received the Managing Directors commentary on this report, presented in the absence of the Head of Operations.

Members discussed the question of diversion targets being lower than those set in the Annual Budget & Service Delivery Plan (ABSDP) as a result of unmarketable Solid Recovered Fuel being generated and problems with the BioMrfs.

Diversion targets were down from those set in the ABSDP. This was mainly as a result of problems with the Bio Mrfs and as a result SRF was unmarketable.

Members expressed concern at the loss of recycling due to contractual failures between Countrystyle and Sita for the disposal of the fines material from the

BioMRFs. Members sought assurance this would not happen again. The managing director confirmed that Shanks had implemented controls, including the tracking of all outputs to their final destination within the UK. He also stated that ELWA was reclaiming the associated recycling performance payments.

Members were pleased with the newly introduced Reuse & Recycling Centres (RRCs) controls, which seemed to be working very well. Tonnage was significantly down with one site achieving a 40% reduction, possibly due to less commercial waste being taken. Discussion took place on the decision to reduce the requirement from two to one form of identification being presented at site and whether this should have been an Authority decision. The Managing Director explained it was changed at the request of one of the Boroughs and its Leader and that for consistency across ELWA, the rule was applied to all four Boroughs.

Members agreed to the continued use of one form of ID for the time being.

Action: Concern was also raised about the use of photocopied forms of identify and the Managing Director agreed to provide a response for Council Leaders.

Action: Procedures would be reviewed after the Summer period.

Another concern was raised about the new controls, suggesting it might be responsible for an increase in fly-tipping in one of the Barking & Dagenham wards which comprised, particularly, beds and other bulky items. Increased fly-tipping had not been reported by other boroughs. Members requested information on this and to be advised about any increase in prosecutions. The Managing Director reported that the sites were being monitored and that random checks would be made.

Action: There would be a formal report to Members at the next meeting to include flytipping and prosecutions.

Members expressed concern at the lack of opportunities for making financial savings and discussed the use of bring sites and the possibility of reducing the number of RRCs, especially in the light of reduced tonnages.

One borough was looking at removing bring sites and had concerns about using orange bags for glass recycling. The managing director acknowledged the concerns but pointed out that the contractor was exceeding its contractual obligations for waste diversion from landfill. He reported discussions were ongoing with the contractor about the inclusion of glass in recycling collections and he was due to meet representatives during the week to explore other savings options.

Action: The Managing Director agreed to produce a report on the inclusion of glass in the kerbside recycling collections. He also advised the future provision of RRCs would be reviewed in light of forthcoming changes in legislation.

Members noted the recommendations set out in paragraphs 2.1, 2.2. and 2.3 regarding ongoing issues with BioMrf fines material and the effects on contract

recycling, LATS performance and associated potential costs to the Authority, the improvements in contract recycling and diversion performance and the effects of the successful implementation of controls at the RRC sites.

11 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).

12 Contract Options

Members discussed contract options and potential ways forward following the Managing Director's commentary on the Head of Operations' report.

The Managing Director advised that the ELWA Operational Management Team (EOMT) had identified two scenarios worth pursuing, following an exercise to attribute costs and savings to each of the options available. EOMT had recognised that waste reduction was the only way forward with influence coming from the collection authorities and not the disposal authority. EOMT would discuss proposals with the Contractor at a meeting on Friday.

The Managing Director responded to questions about Biossense and whether the technique worked, how much ELWA derived SRF would be used resulting in what percentage diversion, the cost of the project and who was funding it as well as could ELWA consider offering capital support and if so, what was the risk of project failure? The Managing Director reported that the technology works in the one plant in Canada and that Shanks expect 90,000 tonnes/year of SRF to be diverted through the plant. He stated ELWA could consider providing support in terms of costs.

Action: The Managing Director agreed to report on SRF diversion options at the meeting in September.

Action: Engage specialist legal firm to review contractual documentation and options. The Monitoring Officer to provide list of specialist legal firms to the Managing Director.

Action: Members noted the recommendations in 2.1(a) and 2.1(b).

Action: Members approved the recommendations in 2.1(c) and requested the report include all information, including diversion rates.

13 Closed Landfill Strategy - Option Agreement with Thurrock TGDC

London Borough of Havering Members declared a possible interest in this matter. Members agreed to continue with all present.

This report was presented by the Managing Director who confirmed that the recommendation referred to a change to the clause around costs associated with development. All parties were content with the wording the solicitors had drafted.

Members noted the current situation in relation to the planning application and that this was a pre-emptive report based on communications between the planning inspector and Thurrock TGDC.

Members approved the amendment of Schedule 5 of the option agreement.

14 Funders' Consent to Contractual Performance Target Changes

Members noted the progress in relation of contractual performance changes. The managing director agreed to clarify the reason behind the lack of approval and identify an alternative incentive variation with the contractor and funders.

15 Date of next meeting: 26 September 2011

Noted – 26 September 2011

Minutes agreed as a true record.

Chairman: Councillor Steven Kelly

Dated: 26 September 2011

This page is intentionally left blank

AUTHORITY REPORT: INTERNAL AUDIT PROGRESS REPORT 2011/12, AUDIT PLAN 2012/13 AND PLANNED AUDIT COVERAGE TO MARCH 2017

1. Confidential Report

1.1 No

2. Recommendation:

2.1 Members are asked to:-

- a) note the audit coverage for 2011/12 as outlined in Section 6;
- b) agree the audit coverage for 2012/13 as outlined in Section 7.
- c) agree the Five Year Strategic Plan set out in Appendix A

3. Purpose

- 3.1 To advise Members of the progress of Internal Audit coverage and findings arising during 2011/12.
- 3.2 To seek Members' comments and agreement to the proposed Internal Audit Plan for 2012/13 and the five-year rolling programme attached at Appendix A.

4. Executive Summary

4.1 The report outlines Internal Audit work undertaken during 2011/12. Overall Internal Audit has reached the opinion that the Authority's core financial systems are generally sound, although areas for improvement were identified. The report also sets out the proposed areas of work for 2012/13 based on the attached five-year plan.

5. Background

- 5.1 The objective and responsibility of the Internal Audit function is to provide Members and management with an independent view and assurance concerning the robustness of the systems and procedures within ELWA and in particular for the effective management of the contract with Shanks East London Ltd (SEL), thereby safeguarding assets from fraud and wastage. Internal Audit coverage has and will continue to concentrate on reviewing systems and procedures within ELWA to ensure the effective management of the contract.
- 5.2 The Internal Audit strategy / plan was agreed on 27 June 2011. The purpose of the strategic plan is to ensure total audit coverage of the key systems / areas of activity within ELWA's unique operational environment. It is intended to fulfil this responsibility by working in conjunction with the External Auditor in keeping with the principles of "Managed Audit" advocated by the Audit Commission and aims to avoid any duplication of audit effort. Where the External Auditor can place reliance upon the work of internal audit, this can assist in minimising the number of days (and cost) of external audit work.
- 5.3 The Internal Audit function is provided by the London Borough of Redbridge (LBR) and reports directly to the Finance Director, ELWA, who is the Section 151 Officer and who subsequently reports on Audit matters to the Authority.
- 5.4 This report provides Members with:-
 - a) a brief summary of the audit coverage for 2011/12;
 - b) a list of the Audit Areas due to be undertaken during 2012/13;
 - c) Details of the proposed five-year rolling audit plan, which sets out the coverage at a strategic level for the following five years (2012/13 to 2016/17).

6. Current Position

Internal Audit Coverage During 2011/12.

6.1 The main focus of Internal Audit activity during this year has been to undertake the planned reviews of Contract Management and Financial Management involving detailed substantive checks of the Integrated Waste Management Strategy (IWMS) Contract invoices. Much of the emphasis of the audit of Contract Management was to be a review of the controls and processes following the introduction of hand-held monitoring devices, which was scheduled for 2011/12. However these hand-held devices had proved to be unreliable and not

practicable and therefore the audit concentrated upon the revised systems in place. As a result of issues raised by Newham, principally around weighbridge controls and the authorisation of vehicles, a request was received from the Finance Director to undertake an additional audit to those in the plan that looked at Recycling & Waste Disposal, concentrating specifically on the issues raised by Newham. The audit of Recycling & Waste Disposal has been finalised and draft reports have been issued and action plans are in the process of being agreed for both Contract Management and Financial Management.

- 6.2 Based upon the audit work undertaken during 2011/12, Internal Audit has reached the opinion that the Authority's core financial systems are generally sound, although areas for improvement were identified within each of the assignments undertaken that will need to be addressed before controls can be considered fully effective. There was one allegation of fraud concerning collusion between a third party contractor and Shanks however a subsequent investigation found no evidence to support this claim. As no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance, this statement is intended to provide reasonable assurance. The main findings of the audits undertaken during 2011/12 are set out below.

Audit of Contract Management

- 6.3 Overall, we are satisfied that the systems in place are generally sound although the anticipated improvements in the consistency and documenting of inspections from the introduction of the hand-held monitoring devices did not materialise due to the problems encountered once the devices were put into full operation. The main area of the audit's focus was the inspections undertaken by ELWA and the constituent councils and the interim monitoring arrangements that had to be put in place together with the documenting of these inspections. The principal problem encountered was the councils utilising a number of officers to undertake the inspections, which would have resulted in the need for the purchase of an additional 10 devices per borough, together with the unreliability of the software and the actual physical issues of keying in the information on the small devices, which were essentially smart phones.
- 6.4 The result of the failure of the hand-held device initiative meant that monitoring processes, in the main, reverted to those previously used before the hand-helds were introduced. This has led to many of the issues, such as poor completion and inconsistencies in the inspection reports between the boroughs, arising again.
- 6.5 The service level agreements (SLA) ELWA has with each of the constituent councils set out the monitoring checks to be undertaken by the boroughs. Our review of the SLA requirements against the actual monitoring undertaken found that a number of the checks had not been carried out and that these had not been identified by ELWA as part of their own reviews when monitoring the contract. It is understood that ELWA are looking to revamp the SLAs for 2012/13 by including a base set of requirements for the boroughs' inspections but then directing the focus of the remaining resource towards monitoring of the areas the boroughs themselves would like targeted.
- 6.6 Failures to achieve the turnaround times specified within the contract performance standards and identified by Shanks continues to be the main reason for performance failures and deductions (approximately 20 per month), although it was noted that some administration penalties had also been applied. We did note however that there does not appear to be any link between the results from the inspection visits undertaken and the performance deductions as neither inspection visits carried out by the boroughs or by ELWA have resulted in any penalties being applied.
- 6.7 Regular minuted meetings are held with the boroughs and with Shanks to monitor the delivery of the IWMS contract. Shanks supplies a great deal of management information on the waste processed with the monthly invoice contained within the WasteDataFlow spreadsheet and this is used by ELWA as a key component of their contract monitoring.
- 6.8 It was our opinion that because the improvements expected from the introduction of the hand-held monitoring devices have not materialised, the boroughs' obligations regarding inspection visits were not met and were not identified as part of ELWA's monitoring processes that limited assurance is given for this review. Management have advised that it is their

intention to review monitoring and inspection procedures during 2012 to ensure that resources are targeted towards the most appropriate areas.

Audit of Financial Management

- 6.9 Our in-depth review of a sample of individual sections of invoices for the Integrated Waste Management Service contract has identified that the TIMS system is capturing the weighbridge data accurately but that some errors within the invoices had gone unnoticed and will need to be adjusted. Whilst checking procedures should be amended to ensure that such errors are prevented in future, these amounts are not considered material when reviewed in conjunction with the overall contract sum.
- 6.10 One particular area where checking routines need to be tightened up is performance deductions where some errors were noted in the calculations and it was also noted that the annual uplift had not been applied to any of the performance failures during 2011/12.
- 6.11 We checked to ensure that Shanks had identified all failures to achieve the contract turnaround times and we did not uncover any other instances but we did note a number of occasions where the turnaround time was reported as zero minutes, where explanations should have been recorded on the TIMS system.
- 6.12 Following our recommendation last year ELWA are now carrying out checks of abnormally large weights and as part of our audit we also undertook some checks of this area and we did find two instances where the vehicle tare weights had been incorrectly recorded resulting in the weight tipped being overstated and therefore ELWA being overcharged.
- 6.13 It was our opinion, based upon the areas examined during the audit, that whilst a number of errors were identified within the invoices, particularly in relation to performance failure deductions, these amounts were immaterial when viewed in conjunction with the contract sum (approximately £5m per month) as a whole and the number of tips (approximately 8,000 tips per month) and therefore substantial assurance is given for this review.

Audit of Recycling & Waste Disposal

- 6.14 This audit was undertaken at the request of the Finance Director as a result of the fraud allegation referred to in 6.2 above. Controls in place for the disposal of waste through either landfill or recycling were found to be satisfactory ensuring that tonnages were accurately reported and appropriate charges raised for both of these streams. We did note however weaknesses within the processes for authorising vehicles for the constituent councils and the arrangements with third parties using the site facilities through the IWMS contract.
- 6.15 The constituent councils authorise their own vehicles through the completion of a pro-forma and manage their own list of authorising officers, both of which are copied to Shanks. We did note however one unauthorised officer from one of the constituent councils was authorising vehicles to be removed from the list. We found that Shanks were updating TIMS with the details of the vehicles to be added and removed but that the back-up records, used when TIMS is unavailable, were not up to date. Shanks management had informed Audit that controls had been introduced to prevent vehicles remaining on the list indefinitely but our checks found that these were not being implemented at the weighbridge.
- 6.16 Observation visits were undertaken at a number of the weighbridges and these identified instances of the tonnage delivered being overstated because one of the crew members was out of the vehicle when the out-weight was captured. CCTV images were not found to be particularly clear, particularly when freeze frame and frame advance features were used, which may hamper any investigations should they need to be undertaken.
- 6.17 A small number of arrangements have existed whereby constituent councils have used the IWMS contract for processing waste collected by third parties. We noted that these arrangements had not been formalised through a written contract. The controls in place do not prevent such third parties double (or worse) counting waste that they have weighed at the weighbridge before taking it off site for processing.
- 6.18 It is our opinion that because of the weaknesses within the councils' processes for authorising vehicles and their arrangements with third parties using the site facilities through the IWMS contract, limited assurance is given for this review.

7. Internal Audit Coverage for 2012/13

- 7.1 The annual plan is structured to react to changing circumstances while considering the strategic implications / risk management issues for the Authority. The annual audit plan is formulated from discussions with the Finance Director / Section 151 Officer and the Managing Director and is based on an annual risk assessment process so that identified concerns are assessed and evaluated to determine the impact on the Authority. The risk assessment process takes into consideration the risks identified in the Authority's risk register, but also considers other factors such as previous audit findings, materiality, volume and value of transactions, complexity and stability of systems, contract compliance and level of irregularities. This ensures the plan is responsive to the needs of the Authority. Based on Internal Audit's previous work, foremost amongst those aspects, which need to be regularly reviewed, are the arrangements for the management and monitoring of the Integrated Waste Management Contract.
- 7.2 To enable Internal Audit to target its resources most effectively, coverage has been set at a more strategic level and forms part of a rolling five-year plan, a copy of which is attached at Appendix A.
- 7.3 The main area of focus for 2012/13 will be an audit of risk assessment and business continuity planning. The financial management audits, which involve the detailed checks of the IWMS invoices, are now planned as an annual review and this will be the subject of our second review and this time it will include the annual reconciliation.
- 7.4 It is also intended to continue to carry out follow up work to ensure that actions agreed by management have been implemented and to seek explanations where recommendations have not been implemented in the appropriate time scales. Internal Audit will annually report to the Authority on the progress made by management on the implementation of high risk recommendations.
- 7.5 As stated in paragraph 6.2 above, it is proposed that the updated rolling five-year plan be adopted for future audit coverage with the areas for review set at a higher, strategic level. This plan is attached for Members approval. The updated plan will enable greater flexibility and mean that Internal Audit will be able to respond to changing priorities and the concerns of Members and Management. Like the previous plan this has been risked assessed and enables internal audit resources to be targeted accordingly.

8. Performance and Effectiveness of Internal Audit

- 8.1 The requirements of the Accounts & Audit Regulations 2011 provide the necessary assurance to Members and Management as to the adequacy of the Internal Audit function. It is important that the effectiveness of the work of Internal Audit is monitored and reported, to do this a range of performance criteria is closely monitored by the Chief Auditor throughout the year. It is also essential that Internal Audit obtain the views of ELWA regarding the service it delivers and the value it adds to ELWA's business objectives. Another important measure of the effectiveness of Internal Audit is the reliance that can be placed on its work by the External Auditors. It is encouraging that the External Auditors continue to place reliance on Internal Audit's work.
- 8.2 As the Authority's Section 151 Officer I have undertaken a review of the Internal Audit process and its effectiveness. This has included regular briefings to me by the Chief Auditor / Audit Manager and the External Auditor. My view based upon my experience of the Internal Audit Section's advice and performance, external guidance on Internal Audit and the feedback received, is that the Authority has a sound and robust system of Internal Audit, which continues to adapt and respond to the changing needs of the Authority.

9. Conclusions

- 9.1 Based upon the audit work undertaken during 2011/12 Internal Audit has reached the opinion that the Authority's overall control framework is generally sound and the core financial systems continue to operate effectively and there are no fundamental breakdowns in control resulting in material discrepancy. This view is re-enforced by the Authority's External Auditors.

9.2 I feel confident that through this process and the assurances received, notably from Internal Audit, External Audit and other sources, I will be well placed to provide an opinion as to the overall adequacy and effectiveness of the Authority's internal control environment to Members and Management.

10. Relevant officer:

John Jones / john.jones@redbridge.gov.uk / 020 8708 3192

11. Appendices attached:

Appendix A: Five Year Strategic Plan

12. Background papers:

12.1 Internal audit reports on:-

- a) Contract Management 2011/12
- b) Financial Management 2011/12
- c) Recycling and Waste Disposal 2011/12

13. Legal considerations:

13.1 None

14. Financial considerations:

14.1 This report requests that Members consider and agree the Internal Audit outturn for 2011/12, the 2012/13 Audit Plan and the planned audit coverage to March 2017. Findings from the progress report for 2011/12 will support the production of the Authority's Annual Governance Statement, which is an integral part of the Authority financial statements.

14.2 The Internal Audit Plan and Strategy was agreed on the 27 June 2011 and it was this programme of work that was considered essential in ensuring an appropriate level of audit coverage in key financial systems and areas of activity.

15. Performance management considerations:

15.1 None.

16. Risk management considerations:

16.1 The decision to agree the audit coverage for 2012/13 as outlined in Section 7 should help ensure ELWA's strategic and operational risks are identified and appropriate control strategies implemented to mitigate these risks.

17. Equalities considerations:

17.1 None.

18. Follow-up reports:

18.1 None.

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

19.1 Eastlondonwaste.gov.uk

20. Glossary:

CCTV – Closed-circuit Television

Constituent Councils – London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge

ELWA – East London Waste Authority

IWMS - Integrated Waste Management Strategy

LBR – London Borough of Redbridge

SEL – Shanks east.london

21. Approved by management board

21.1 23 April 2012

22. Confidentiality:

22.1 None.

ELWA - 5 year Strategic Plan 2012/13 - 2016/17

Audit Areas	Risk Impact	Likelihood	Risk Rating	Frequency	5 year Audit Plan					Actual					
					11/12	12/13	13/14	14/15	15/16		16/17				
Internal Control and Corporate Governance	5	2	10	3 yearly		10									
Audits in this area will include Review of Constitution, CSO's, Financial Regs, corporate governance, Risk assessment and Business Continuity Planning, Anti Fraud Arrangements, any other matters arising (IT / Personnel Issues), it would be intended to cover all the above over a 6 year period															
Contract Management / Monitoring / Compliance	9	3	27	2 yearly	28		15								
Audits in this area will include reviews of ELWA's Monitoring Arrangements for the contract, Borough's Monitoring arrangements, Payments to the contractor, Performance Measures, TIM system and the weighbridge. It would be intended to cover all the above over a 5 year period															
Financial Management	9	3	27	yearly	12	12	12	12	6						12
Audits in this area will include reviews of Financial Management and Waste Data Flow. Each audit would be done once over a 4 year period. In addition sample compliance checks on the content within the monthly IWMS contract invoice will be carried out monthly or bi-monthly.															
Asset Management	2	3	6	4 yearly					10						
Audits in this area will review the management of the Authorities assets (predominantly the Landfill Sites) and will undertaken once every 4 years															
Reporting / Administration / Follow Up / Other					3	3	3	3	3						3
Total Days					43	25	30	25	34						15

This page is intentionally left blank

AUTHORITY REPORT: PROJECTED 2011/12 FINANCIAL OUTTURN POSITION

1. Confidential Report

1.1 No

2. Recommendation:

2.1 To note this report and in particular the under spend against budget.

3. Purpose

3.1 To provide a summary of the Financial Outturn for ELWA for the 2011/12 financial year.

4. Revenue Budget

4.1 The outturn figures presented in this report are projected and there may be some changes as the accounts are being closed down. If there are any significant changes then I will brief Authority Members accordingly.

4.2 Based on the budget of £53,336,000 and the actual net expenditure on services of £49,823,000 the under spend for the year is £3,513,000 (see Appendix A). This favourable variance is mainly due to savings made in the IWMS contract and economies in the non contract running costs. These greatly exceeded pressures elsewhere in the budget for example the shortfall against budget of commercial waste income.

4.3 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 lower than projected when the budget was set. The provisional outturn variance of £3,513,000 also reflects the results of new arrangements at Reuse and Recycling Centres, improved diversion performance by the contractor, as well as the reductions in commercial waste tonnages received.

4.4 At the February meeting presenting the end of December 2011 position it was reported to Members that there would be a net under spend of approximately £1.7 million of which £1.6 million related to the saving on the contract. The two reasons underlying this under spend projection were reduced waste tonnages and improved diversion. In respect of waste tonnages, towards the end of the year there has been a further decrease in tonnage which ELWA officers have advised was below 35,000 tonnes in March compared to approximately 41,000 tonnes assumed in the Annual Budget and Service Delivery Plan (ABSDP). Also at the February meeting, a moderate level of savings associated with the Solid Recoverable Fuel diversion proposal were included in the end of year projection. Projected end of year savings in respect of this new scheme were deliberately cautious and in my report to the February meeting the report set out that an increase in the under spend would happen if the SRF diversion increased. Thus in February 2012 the diversion rate was 62%. In March there was a much improved diversion rate of 72%. This together with the reduced tonnages has led to the increased under spend on the contract to approximately £3.2million.

4.5 Looking ahead the 2012/13 Budget assumes a reduction in contractor costs of £3 million due to reduced tonnages compared to the cost assumed in the 2011/12 Budget as well as approximately £1 million of reduced costs in respect of diversion. The projected outturn as detailed in the report suggests therefore that ELWA has made significant progress already in being in a position to achieve the 2012/13 reduced contractor costs.

4.6 In 2011/12 employee costs show an under spend of £109,000 reflecting savings in Agency staff and recruitment costs as well as the non-filling of a vacant post. Other supplies and services costs under spent by £284,000. These relate to Biodegradability Testing which has not been needed this year, recycling initiatives and disposal credits. Also tonne mileage payments were below budget reflecting the reduced tonnages.

- 4.7 Commercial waste income was below its profiled budget by £318,000. This was 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.
- 4.8 The 2011/12 projected outturn variance is £3,513,000. At the levy setting meeting in February 2012 it was agreed that £701,000 of this projected under spend would be used directly to support the levy. The increase in the level of the under spend will also be used to help reduce levy increases in future years.

5. Prudential indicators

- 5.1 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. These are monitored by the Finance Director on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.

The Prudential Indicators are reviewed on a regular basis and all activities have been contained within the indicators as shown in the table below:

Authority Limit for External Debt	Revised Limit 2011/12	Actual to 31/03/12
	£'000	£'000
Borrowing	15,000	1,489
Other long term liabilities	105,000	95,539
TOTAL	120,000	97,028
Operational Boundary for External Debt	Revised Limit 2011/12	Actual to 31/03/12
	£'000	£'000
Borrowing	13,000	1,489
Other long term liabilities	105,000	95,539
TOTAL	118,000	97,028

6. 2011/12 Financial Statements

- 6.1 The production of the 2011/12 Financial Statements is ongoing and this involves a significant piece of work which is very technical in nature to ensure the accounts are fully compliant with International Financial Reporting Standards. The statutory accounts need to be signed off by the Finance Director by 30th June 2012.

7. Conclusion

- 7.1 The net under spend 2011/12 is £3,513,000. This is mainly due to reduced IWMS contract costs.
- 7.2 Part of this under spend is to be used to support the 2012/13 Levy and Budget.

8. Relevant officer:

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

9. Appendices attached:

Appendix A: Budget Monitoring Statement to 31st March 2012

10. Background papers:

6 February 2012 – Revenue & Capital Budgets and Levy 2012/13 Report & Minute
6 February 2012 – Budgetary Control to 31 December 2011 Report & Minute
28 November 2011 – Budgetary Control to 31 October 2011 Report & Minute No. 2011/4
26 September 2011 - Budgetary Control to 31 August 2011 Report & Minute No. 2011/6
27 June 2011 – Budgetary Control to 30 April 2011 Report & Minute No. 2011/8
7 February 2011 - Revenue & Capital Estimates & Levy 2011/12 Report & Minute No. 2010/57
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. 2009/39

11. Legal considerations:

11.1 No additional issues.

12. Financial considerations:

12.1 As outlined in the report.

13. Performance management considerations:

13.1 The financial position and projections should reflect among other things service performance trends.

14. Risk management considerations:

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

15. Equalities considerations:

15.1 The equalities impact assessment for this decision identified that there are no specific equality implications arising from this report.

16. Follow-up reports:

Provisional Outturn 2011/12 report.

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

None

18. Glossary:

ELWA = East London Waste Authority
IWMS = Integrated Waste Management Strategy
ABSDP= Annual Budget and Service Delivery Plan

19. Approved by management board

Not received

20. Confidentiality:

Not Applicable.

This page is intentionally left blank

BUDGET MONITORING STATEMENT TO 31 MARCH 2012

	Budget 2011/12 £'000	Projected Outturn 2011/12 £'000	Projected Outturn Variance £'000
EXPENDITURE			
<i>Employee and Support Services</i>	530	421	(109)
<i>Premises Related Expenditure</i>	107	103	(4)
<i>Transport Related Expenditure</i>	5	2	(3)
<i>Supplies and Services</i>			
Payments to Shanks.east london	54,033	50,842	(3,191)
Other (inc cost of Support Costs)	720	571	(149)
<i>Third Party Payments</i>			
Disposal Credits	50	11	(39)
Recycling Initiatives	354	319	(35)
Tonne Mileage	525	487	(38)
Rent payable - property leases	267	254	(13)
<i>Capital Financing Costs</i>	229	226	(3)
TOTAL GROSS EXPENDITURE	56,820	53,236	(3,584)
INCOME			
Commercial Waste Charges	(2,965)	(2,647)	318
Bank Interest Receivable	(275)	(244)	31
Other Income	(350)	(522)	(172)
TOTAL INCOME	(3,590)	(3,413)	177
Contingency Allocated	106	0	(106)
NET EXPENDITURE ON SERVICES	53,336	49,823	(3,513)
10/11 balance	(100)	(100)	0
PFI Grant Receivable	(3,991)	(3,991)	0
Transfer to PFI Contract Reserve	3,991	3,991	0
Levy Receivable	(44,749)	(44,749)	0
Transfer from PFI Contract Reserve	(5,987)	(5,987)	0
Contribution from Reserves	(2,500)	(2,500)	0
REVENUE SURPLUS FOR PERIOD	0	(3,513)	(3,513)

This page is intentionally left blank

AUTHORITY REPORT: CONTRACT MONITORING TO 31 MARCH 2012

1. Confidential Report

1.1 No

2. Recommendation:

2.1 Members are asked to note this report.

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 31 March 2012.

3.2 To provide a summary of the contract performance for the 2011/12 contract year.

4. Contract Performance for March 2012

4.1 Contract waste tonnage for March 2012 was 34,811 tonnes which was 3,231 tonnes below forecast.

4.2 The recycling performance for March was 22.7%, slightly lower than expected largely due to the fines material from the BioMRFs being sent to landfill.

4.3 Diversion from landfill was very strong achieving 71.3% rate. This step up in diversion performance reflects the improvements the contractor has made to the bailing and wrapping equipment for the export of SRF material.

4.4 The table below provides an overview of the recycling performance for March 2012 however these figures are subject to ratification by Defra.

	% Recycling Performance
LBBD	24.6%
LBH	32.0%
LBN	19.5%
LBR	25.3%

5. 2011/12 Contract Performance

5.1 Overall the contract performance for the year end for recycling fell just short of targets in the ABSDP. An increase in recycling performance in the first half of the year, primarily due to green waste, overcame the shortfall in recycling performance in the latter part of the year. The final contract recycling performance was 26.92%.

5.2 The diversion from landfill performance achieved higher levels than contractual targets, and was higher than ABSDP targets. The result of this is decreased costs to the Authority due to lower reimbursement of landfill tax payments. This was principally from the result of a strong finish to the contract year in relation to the performance of the BioMRFs and the new outlet for Solid Recovered Fuels (SRF). The final contract overall diversion from landfill performance was 61.9%.

5.3 The financial benefit of increased diversion was enhanced by the reduction in waste tonnages delivered into the contract. The forecast for the year was 469,627 tonnes whilst the actual tonnage of contract waste for 2011/12 was 429,877 tonnes, 39,750 tonnes lower than budget.

5.4 The controls introduced at the RRC sites realised a 22% reduction in waste arising at the sites which can be equated to approximately £1.2M savings in contract costs. This far exceeds the original forecast in the proposals.

5.5 Highlights of the most significant operational issues and developments during the 2011/12 contract year are considered elsewhere on the agenda.

5.6 Defra have confirmed that the Landfill Allowance Trading Scheme will not continue beyond 2012/13. However the Authority's allowance for the amount of biodegradable waste that could be sent to landfill for 2011/12 was 164,000 tonnes. The actual amount

of biodegradable waste sent to landfill used 109,768 tonnes of allowances, therefore the Authority operated within its allowance.

6. 2011/12 Borough Performance

6.1 The table below summarises the ELWA Borough's performance for the whole contract year 2011/12. These are still subject to confirmation by Borough officers and data is still being ratified by Defra.

	% Recycling Performance	% Recycling Performance
	2010/11	2011/12
LBBB	28%	29.9%
LBH	31%	35.4%
LBN	15%	22.7%
LBR	27%	32.4%

7. Conclusion

- 7.1 A strong contract performance in the beginning of the year and in March resulted in all budget targets being met or exceeded.
- 7.2 A good contract performance, the introduction of controls at the RRCs and a reduction in waste in general put the Authority in a good financial position in relation to contract costs and delivered significant savings against the budget.

8. Relevant officer:

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

9. Appendices attached:

9.1 None

10. Background Papers:

10.1 None

11. Legal Considerations:

11.1 None

12. Financial Considerations:

12.1 Tonnage levels and landfill tax liabilities continue to be the main drivers of cost within 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:

13.1 None

14. Risk management considerations:

14.1 None

15. Equalities considerations:

15.1 None

16. Follow-up reports:

16.1 None

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

17.1 None

18. Glossary

ABSDP = Annual Budget & Service Delivery Plan
BioMRF = Biological Materials Recycling Facility
EA = Environment Agency

ELWA = East London Waste Authority
IWMS = Integrated Waste Management Strategy
LATS = Landfill Allowance Trading Scheme
LBN = London Borough of Newham
NI192 = National Indicator (Household Waste Recycled or Composted)
RRC = Reuse & Recycling Centre(s)
SRF = Solid Recovered Fuel
SEL = Shanks.east london

19. Approved by management board

19.1 23 April 2012

20. Confidentiality:

20.1 Not applicable

This page is intentionally left blank

AUTHORITY REPORT: ELWA ANNUAL REVIEW 2011-2012

1. Confidential Report

1.1 No

2. Recommendation:

2.1 Members note the report.

3. Purpose

3.1 This report provides an overview of the work of the authority during 2011-2012.

4. Background

4.1 The focus of the year was very much on financial matters and the need for the authority to achieve contractual cost savings. The two main cost factors for the authority are the waste tonnages arising from households and the amount of that waste that ends up in landfill. The former is out of the control of the authority and the latter depends upon the contractor's willingness and ability to identify markets for the solid recovered fuel (SRF) output of the BioMRFs.

4.2 Fortunately, waste arisings continued to fall throughout the year. This seems to be a national trend, which may be linked to the downturn in economic activity.

4.3 Landfill diversion was a cause for concern early on but, by the end of the year, the authority and Shanks had entered into an agreement resulting in the highest rates of landfill diversion so far achieved.

4.4 Both factors led to no overall increase in the levy on constituent councils, although individual councils saw either an increase or decrease in their levy contribution.

4.5 The monthly performance monitoring report for March 2012, which shows the cumulative performance for the year, can be found at Appendix A.

5. Summary of work undertaken

5.1 ELWA considered a range of issues throughout the year. Much of the work of the authority is considered confidential because of commercial issues relating to the contract. Therefore, information in this report provides an overview, rather than the detail of some of the discussions held by members and officers of the authority.

April 2011

5.2 Members approved the Annual Budget & Service Delivery Plan 2011-2012, which included performance targets of 27% recycling and 60% diversion from landfill.

5.3 Members participated in a workshop to consider options for improving contract performance. In September 2010, Shanks Waste Management sold 80% of their equity in ELWA Ltd to John Laing plc and members were introduced to the relevant John Laing plc directors at this meeting.

June 2011

5.4 Councillor Kelly, Councillor Vincent and Councillor Corbett were appointed to the roles of Chairman, Vice Chairman and ELWA Limited 'A' Director respectively.

5.5 Members agreed to appoint Councillors Vincent, Tebbutt, Corbett and Dunn as the lead members for environment/waste who will, on behalf of ELWA, answer questions put to them by other members of their own constituent council.

5.6 Members received the annual internal audit report which stated: Based upon the audit work undertaken during 2010/11 and, where appropriate, the relevant assurances provided by the constituent boroughs, Internal Audit has reached the opinion that the Authority's overall control framework is generally sound and the core financial systems continue to operate effectively and there are no fundamental breakdowns in control resulting in material discrepancy. This view is re-enforced by the authority's external auditors.

5.7 Members discussed contractual performance, which had fallen below target because:

- a) Technical problems with the BioMRFs resulted in unmarketable SRF. This material had to be landfilled.
 - b) Contractual failures between two of Shanks' sub-contractors for the disposal of the fines material from the BioMRFs resulted in a loss of recycling. Members sought assurance this would not happen again. The managing director confirmed that Shanks had implemented controls, including the tracking of all outputs to their final destination within the UK.
- 5.8 Since the meeting, Shanks reviewed the operation of the BioMRFs and performance now meets design specification. The difficulties with finding an appropriate market for the fines material remains.
- 5.9 Members discussed the newly introduced Reuse & Recycling Centres (RRCs) controls. The introduction of identity checks, to restrict use of the RRCs to residents of the ELWA region, seemed to be working very well. Tonnage was significantly down with one site achieving a 40% reduction, possibly due to less commercial waste being taken. Discussion took place on the decision to reduce the requirement from two to one form of identification being presented at site and agreed to the continued use of one form.
- 5.10 Members considered options for achieving contractual savings and confirmed waste minimisation was the key to reducing costs. However, members acknowledged this was out of the control of ELWA and that the constituent councils would need to influence residents to reduce waste. Members went on to instruct officers to engage a specialist legal firm to review the contractual documentation to identify other options to reduce costs. The outcome of this review was that the firm could not identify any contractual savings opportunities that officers had not already explored.

September 2011

- 5.11 Members received the Statement of Accounts and Auditor's Report for 2010/11 and the external auditor confirmed there were no significant issues to be raised.
- 5.12 Members discussed the markets for SRF and the potential for ELWA to take advantage of any opportunities. Officers reported on discussions with Shanks' senior management about a proposal to increase diversion from landfill by exporting SRF to European markets. The proposal could achieve financial savings to ELWA of approximately £5.2million over three years. Members agreed officers should continue negotiations and an agreement was signed in January 2012.

November 2011

- 5.13 The London Borough of Barking and Dagenham replaced Councillor Vincent with Councillor Mick McCarthy as their representative and members were asked to appoint an interim Vice Chairman. Councillor Michelle Dunn (London Borough of Redbridge) was 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.
- 5.14 Members considered the corporate risk register.
- 5.15 Members discussed the continuing negotiations around the disposal of closed landfill sites owned by the authority. The sale of the Aveley site was progressing and the district valuer had been instructed to obtain a valuation of Gerpins Lane. Members discussed the implications of retaining the sites and their future use.
- 5.16 The impact of the London 2012 Olympic and Paralympic Games were discussed and members agreed a methodology for calculating and paying for the additional waste tonnage delivered into the contract from the London Borough of Newham.

February 2012

- 5.17 Members agreed the ABSDP for 2012-2013 and acknowledged the continuing difficulties in securing a market for the BioMRF fines material that would meet the definition of recycling. This resulted in agreeing a recycling target of 25% for the year, which is below the contractual target of 27%. However, members were pleased to accept an overall diversion of waste from landfill target of 78%, higher than the 45% contractual target.

- 5.18 Members noted the continued downward trend in waste tonnages arising from constituent councils. The reasons for this trend are not clear but many local authorities across the country are experiencing similar reductions, possibly due to reduced economic activity.
- 5.19 Members approved the annual levy for each constituent council. Whilst the overall proposed levy increase was zero, it masked a wide spread of changes amongst the four constituent councils. The individual levy for each constituent council for 2012-2013 is:
- a) LB Barking and Dagenham £8,507,000 (an increase of 4.4%)
 - b) LB Havering £10,956,000 (an increase of 0.6%)
 - c) LB Newham £13,293,000 (a reduction of 5.0%)
 - d) LB Redbridge £11,993,000 (an increase of 2.4%)
- 5.20 Members' attention was drawn to the current projections for the ELWA levy in 2013/14 and 2014/15, which stand at 12.4% and 6.7% respectively.
- 5.21 Members discussed the reuse of bulky waste, such as furniture and white goods. Officers have worked with central government organisations to determine options for introducing a region-wide service to collect such waste and offer it for reuse. However, the infrastructure requirements, current collection arrangements of constituent councils and contractual constraints are stumbling blocks to a meaningful service. Instead, constituent councils have amended their customer service contact scripts to signpost residents to existing reuse services offered by third sector organisations.
- 5.22 Members agreed to a review of the Integrated Waste Management Strategy in light of changes to national waste policy and the time since the last review in 2006. A summary of the current strategy can be found at Appendix B.

6. Future Deliberations

- 6.1 The review of the Integrated Waste Management Strategy will continue for the remainder of this calendar year. A member workshop in July will consider what further cost saving measures the authority could introduce.
- 6.2 Shanks stopped transporting residual waste to landfill by rail over twelve months ago. The authority expects Shanks to submit a formal contract variation for members to consider the closure of the railhead within the next few months.
- 6.3 Shanks are building an anaerobic digestion (AD) plant on a site next to their Frog Island facilities. This will be a merchant facility, accepting biodegradable waste from commercial collections. However, Shanks have indicated the BioMRF fines material will be processed through this facility, which will resolve the current difficulties. Shanks anticipate the facility will be operational by the end of the financial year.
- 6.4 The sale of the closed landfill site at Aveley should conclude shortly.

7. Conclusion

- 7.1 The authority continues to fulfil its statutory obligations regarding the disposal of municipal waste arising from the constituent councils.

8. Relevant officer:

Paul Taylor, Managing Director, paul.taylor@eastlondonwaste.gov.uk, 020 8724 5750

9. Appendices attached:

- 9.1 Appendix A: Contract Performance Monthly Update March 2012
- 9.2 Appendix B: Summary of the Integrated Waste Management Strategy (IWMS)

10. Background papers:

- 10.1 None

11. Legal considerations:

- 11.1 None

12. Financial considerations:

- 12.1 This report details the overview of the work of the Authority during 2011/12.
- 12.2 For 2012/13 the Levy was frozen at the overall 2011/12 level. This was against a background of very difficult budget pressures and requests from the Constituent Authorities for the use of one off receipts to support the levy in 2012/13. To ensure low levy increases in the future the Authority needs to seek ways of further reducing waste tonnages, pursue contract savings and maintain high levels of diversion.
- 12.3 The findings of the Authority's Internal Audit section's review of ELWA showed that internal controls were generally sound and financial systems operated effectively. A report detailing the 2011/12 Internal Audit review is included elsewhere on this agenda.
- 12.4 The Statement of Accounts for 2011/12 was signed off by the external auditors with no material issues reported.

13. Performance management considerations:

- 13.1 None.

14. Risk management considerations:

- 14.1 None.

15. Equalities considerations:

- 15.1 None

16. Follow-up reports:

- 16.1 None.

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

- 17.1 www.eastlondonwaste.gov.uk/html/download/elwa-constitution.pdf
- 17.2 www.defra.gov.uk/publications/files/pb13540-waste-policy-review110614.pdf

18. Glossary:

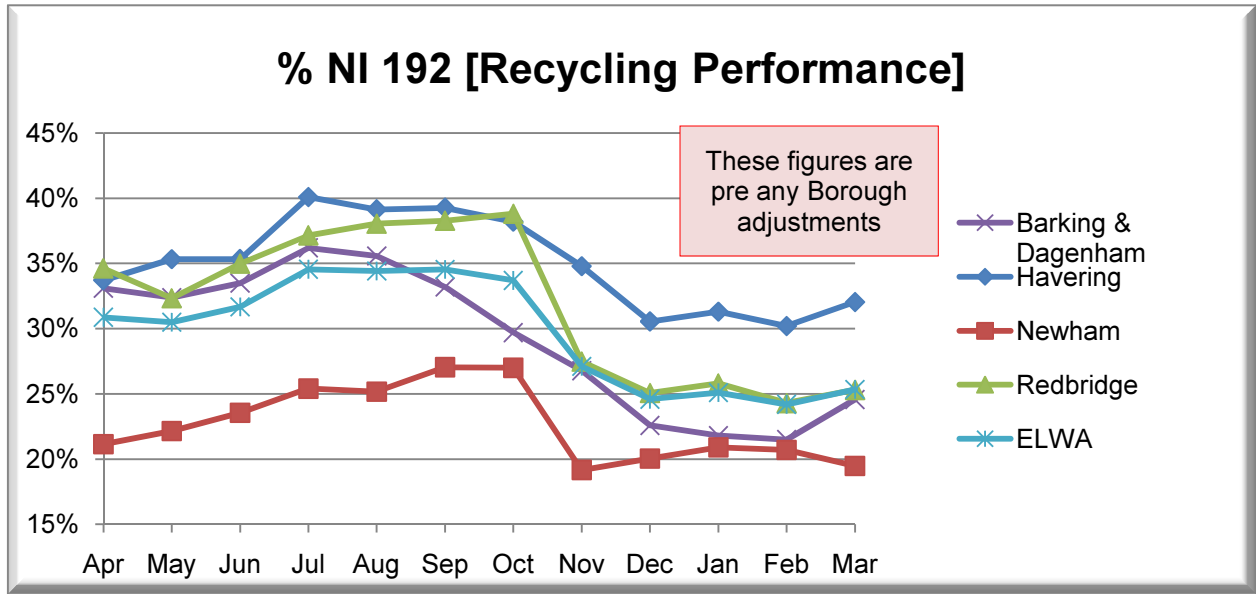
BioMRF – Biological Materials Recycling facility
ELWA – East London Waste Authority
IWMS – Integrated Waste Management Strategy
PFI – Private Finance Initiative
RRC - Reuse & Recycling Centre
SJWDA - Statutory Joint Waste Disposal Authority

19. Approved by management board

- 19.1 23 April 2012

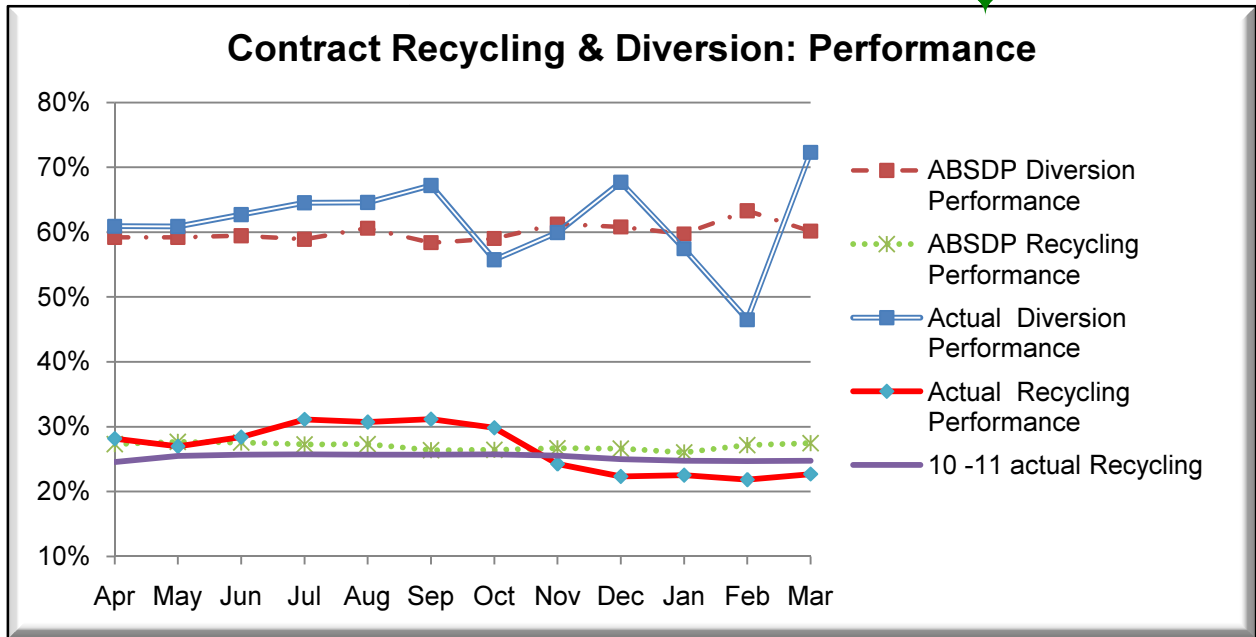
20. Confidentiality:

- 20.1 No



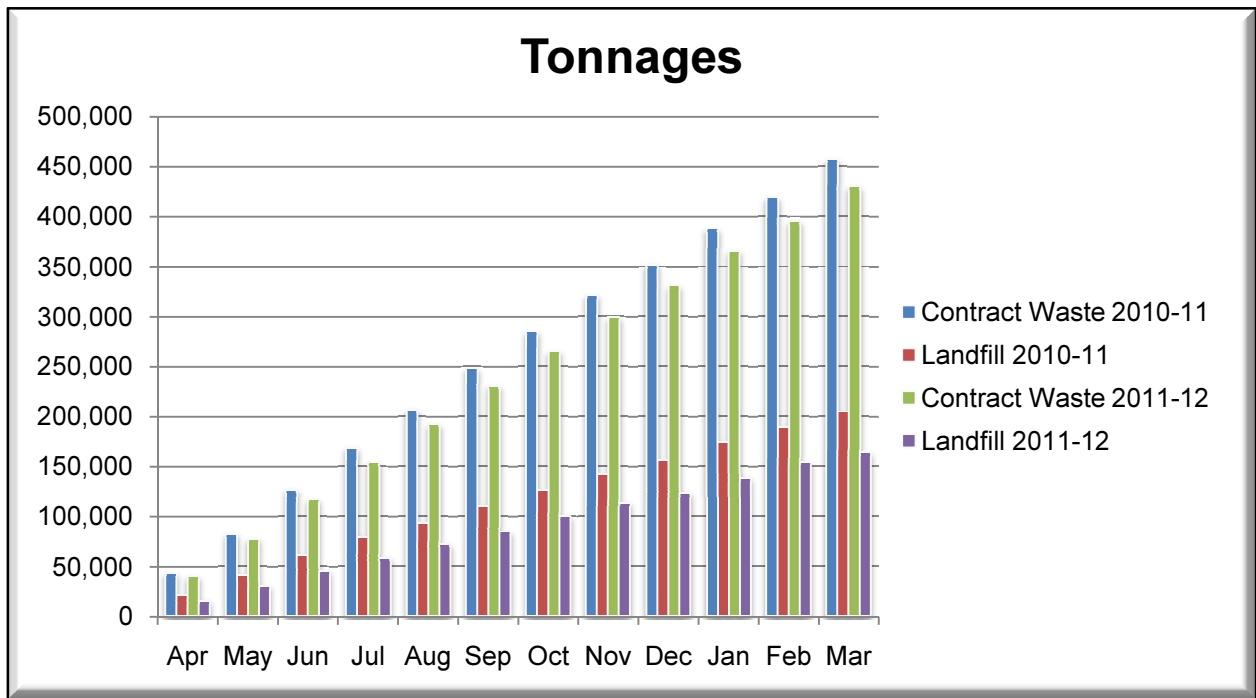
	March Data	Cumulative
Barking & Dagenham	24.6%	29.9%
Havering	32.0%	35.4%
Newham	19.5%	22.7%
Redbridge	25.3%	32.4%
ELWA	25.3%	30.1%

Performance above is threshold waste figures only same as Contract performance

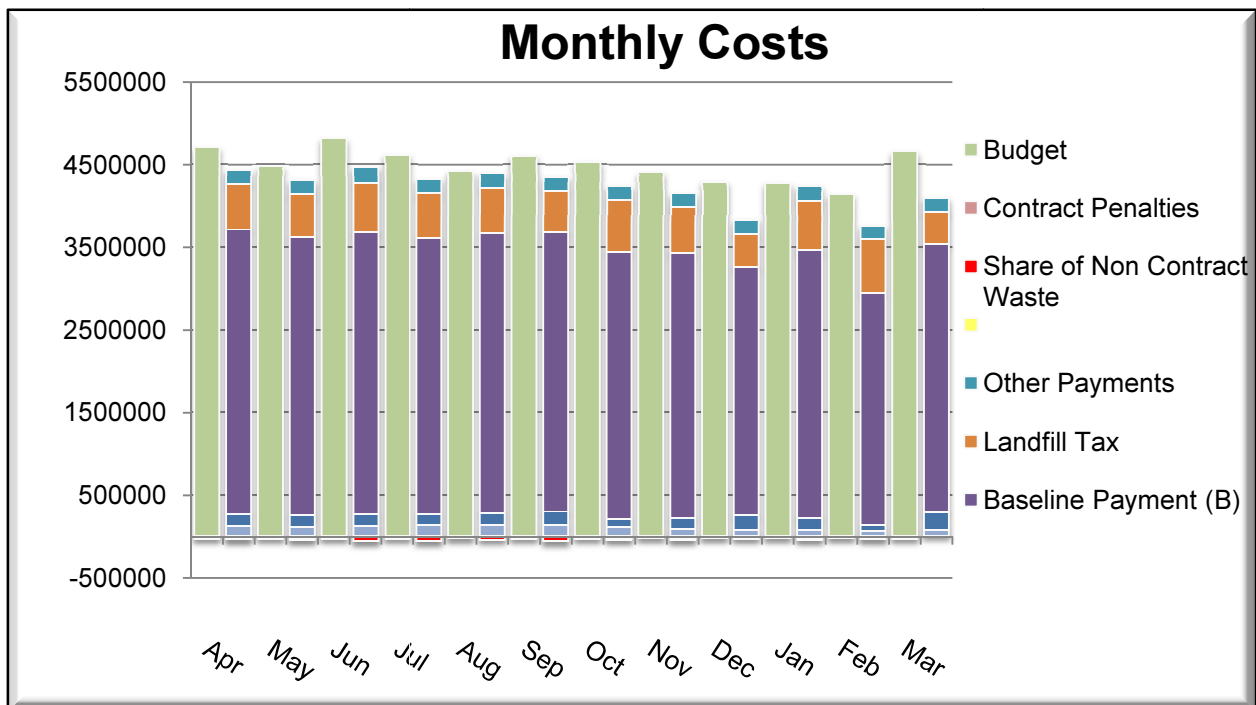


	March Data	Cumulative	ABSDP
Actual Recycling Performance	22.7%	26.9%	27.0%
Actual Diversion Performance	72.2%	61.9%	60.0%

For March, showed performance targets



	March Data	Cumulative	ABSDP
Contract Waste	34,811 tonnes	428,877 tonnes	469,627Tonnes
Recycling	7,899 tonnes	115,616 tonnes	
Diverted from Landfill	17,272 tonnes	149,428 tonnes	
Landfill	9,640 tonnes	163,833 tonnes	



	March Data
Budget	£4,627,400
Actual	£4,048,995

SUMMARY OF THE ELWA INTEGRATED WASTE MANAGEMENT STRATEGY

Vision:

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

Objectives:

- a) Provide reliable and achievable services in terms of managing and disposing of the waste.
- b) 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.
- c) Help promote the most cost effective delivery of services.
- d) Ensure that the services shall be sufficiently diverse and flexible and not dependent upon a single method of waste treatment.
- e) Reduce biodegradable waste landfilled in order to meet the requirements of the Waste and Emissions Trading Act.

Targets:

- a) Stabilise or reduce the level of waste generated to below 515 kg per year per head of population.
- b) Achieve and where possible exceed, statutory recycling and composting standards (See box 1).
- c) Recycle or compost 25% of our waste from April 2005, 30% from April 2010 and 33% from April 2015.
- d) Divert from landfill 40% of waste from April 2007, 45% from April 2010 and 67% from April 2015.
- e) 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.
- f) Find the best methods to serve all households with a recycling collection of at least four materials by 2008.

This page is intentionally left blank

AUTHORITY REPORT: FOOD WASTE BRIEFING

1. Confidential Report

1.1 No

2. Recommendation:

2.1 Members note the report.

3. Purpose

3.1 To provide members with information about the disposal of food waste.

4. Background

4.1 Reducing food waste is a major issue. UK households throw away 7.2 million tonnes of food every year, which has serious financial and environmental implications.

4.2 Historically, food waste tended to be collected as part of the residual waste stream and invariably ended up in landfill. Home composting and the Love Food Hate Waste campaign have made inroads to diverting food waste from landfill but the development of anaerobic digestion (AD) facilities has resulted in many local authorities introducing separate food waste collections. The diversion of UK food waste to AD could:

a) Save local authorities £461 million/year in landfill tax.

b) Reduce greenhouse gas emissions from landfill equivalent to taking 1 in 5 cars off the road.

4.3 In addition, the introduction of weekly separate food collection services is seen to be preferable to alternate weekly collections, whereby residual (including food) waste is collected every other week.

4.4 Needless to say, ELWA constituent councils are considering whether they too should introduce separate food waste collections. ELWA officers have received requests for information about the impact of such a change on the IWMS contract.

5. Current Position

5.1 Unlike many other local authorities, there is no imperative requiring ELWA to manage food waste separately from the rest of the residual waste stream. None of the constituent councils have alternate weekly collections resulting in 'smelly' waste not being collected for two weeks. Also, the BioMRF technology we use relies on the presence of biodegradable waste, such as food, to activate the process that results in the production of SRF. The only remaining fraction of waste that would benefit from AD processing is the BioMRF fines material.

5.2 From a contractual perspective, there are several implications if constituent councils were to introduce separate food waste collections:

a) Any reduction in food waste could mean that the diversion performance (primarily through moisture loss) could reduce and have a financial consequence to Shanks.

b) Any significant change to input composition that affects BioMRF performance could affect the quality of outputs, particularly SRF where there are strict tolerances, and Shanks will not accept this market risk.

c) Separately collected food would still be considered contract waste and subject to processing by Shanks. As our contract is based upon the use of BioMRFs, this waste would be put through that process, i.e. re-combined with the residual waste thus negating its separate collection.

5.3 The fact that Shanks are constructing an AD facility on land adjacent to Frog Island should not be confused with this being an alternative processing route for ELWA waste. The new plant will be a merchant facility, processing waste from a variety of commercial sources, and will not be part of the ELWA contract's capital assets.

5.4 Shanks are likely only to consider accepting separately collected contract food waste into their AD facility if it is financially attractive to displace other commercial inputs. At this point, Shanks are not indicating this is the case, especially when the above points are considered. However, Shanks are planning to process the ELWA BioMRF fines material through the new AD facility because this will be commercially cheaper than sending the material elsewhere for processing or to landfill.

6. Conclusion

6.1 At this time, ELWA officers do not consider it necessary or beneficial for constituent councils to consider the introduction of separate food waste collection services. The ultimate aim of separately collecting food waste is to reduce the amount of waste sent to landfill. The 2012-2013 ABSDP includes 78% diversion of waste from landfill, on the basis of current waste management arrangements, and this is likely to increase to 80% in following years.

6.2 Nevertheless, we will continue discussions with Shanks' management about the most efficient and cost-effective use of the ELWA and their merchant facilities.

7. Relevant officer:

7.1 Paul Taylor, Managing Director, paul.taylor@eastlondonwaste.gov.uk, 020 8724 5750

8. Appendices attached:

8.1 None

9. Background papers:

None

10. Legal considerations:

10.1 None

11. Financial considerations:

11.1 This report provides Members with a background into the disposal of food waste and the financial and non-financial implications on the current IWMS contract if each constituent council were to have a separate food waste collection service

11.2 The Officer report concludes that there would be a number of financial risks to ELWA and to constituent council if, at this time, a separate food waste collection was introduced. However, it is noted that some financial benefits may arise if Shanks are able to process the ELWA BioMRF material through their new anaerobic digestion facility. It will important to ensure that any future proposals to make this change will require a detailed cost benefit analysis before any decision is made.

12. Performance management considerations:

12.1 None

13. Risk management considerations:

13.1 None

14. Equalities considerations:

14.1 None

15. Follow-up reports:

15.1 No

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

www.lovefoodhatewaste.com

17. Glossary:

ABSDP = Annual Business and Service Delivery Plan

AD = Anaerobic Digestion

BioMRF = Biological Materials Recycling Facility

ELWA = East London Waste Authority

IWMS = Integrated Waste Management Strategy

18. Approved by management board

18.1 23 April 2012

19. Confidentiality:

19.1 No

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank