

EAST LONDON WASTE AUTHORITY

27 SEPTEMBER 2010

MANAGING DIRECTOR'S REPORT

FUTURE FINANCIAL SAVINGS	FOR CONSIDERFATION
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1 Purpose

- 1.1 To provide an update on the identified financial savings and consider additional savings options.

2 Background

- 2.1 ELWA is under pressure to make financial savings in order to assist the Constituent Councils in meeting their financial targets. Members received a report on the future strategy for budgetary savings, at the June meeting of the Authority, which outlined the financial pressures facing the Authority. The report identified six areas of potential savings:

- (a) Looking at parts of contractual services that can be reduced.
- (b) Re-opening negotiations with the Contractor concerning incentives.
- (c) Looking again at the current levy mechanism.
- (d) Identifying new funding.
- (e) Ensuring the position on long term PFI contracts is understood.
- (f) Making ELWA's assets 'work harder'.

- 2.2 This report expands and provides updates on these and other options.

3 Current Status

- 3.1 It is worth noting that ELWA was at the forefront of achieving financial savings in waste management by embarking on the PFI contract. Therefore, the most significant savings have been achieved already. The Constituent Councils would be spending an additional £7.1million/annum in landfill tax payments if the diversion performance had remained at the pre-contract level.

- 3.2 Progress on the savings identified at 2.1 are as follows:

- (a) Looking at parts of contractual services that can be reduced.
 - (i) Initial discussions have taken place between ELWA and borough officers with the intention of identifying where operational savings could be made. Savings are dependant upon how each borough sees the future for their waste management services.
- (b) Re-opening negotiations with the Contractor concerning incentives.

- (i) Discussions are progressing well with the contractor and are tied to the Project Orange negotiations. In summary, the contractor has agreed to the introduction of penalty payments for non-achievement of recycling targets and reward payments for the achievement of increased targets for diversion from landfill of up to 80%. Further details can be found at agenda item 5b.
- (c) Looking again at the current levy mechanism.
 - (i) See report at agenda item 4d.
- (d) Identifying new funding.
 - (i) Scope for new funding is limited to support for projects that comply with funding stream requirements.
 - (ii) ELWA officers have made a bid for money from the London Waste and Recycling Board for flats recycling (see waste management report, agenda item 6)
 - (iii) There may be scope to apply for funding from Capital Ambition, once a suitable scheme is identified. The Management Board may consider it appropriate to hold a workshop to identify potential schemes.
- (e) Ensuring the position on long term PFI contracts is understood.
 - (i) Officers recently attended a meeting of DEFRA's Waste Infrastructure Delivery Programme (WIDP). Current indications are that there are no plans for the government to make changes that will adversely impact on existing PFI projects.
- (f) Making ELWA's assets 'work harder'.
 - (i) ELWA's main assets are the closed landfill sites. Advisors are providing information on how we may obtain best value through the disposal of these sites. Further details are included in the waste management report (Agenda item 5b).
 - (ii) We explored the possibility of realising value from the property assets under the PFI contract, associated with the Frog Island and Jenkins Lane sites. However, advice from WIDP is that such a realisation would be unusual, with no benchmark to help determine the asset value at this stage of the PFI contract. Consideration could be given to such a proposal when the contract is within a few years of termination.

4 Other potential budget savings

4.1 On reviewing of the ELWA budget, we have identified a number of further savings options:

- (a) A previous decision was taken to change the manner of funding and delivery of communications across the Constituent Councils. The original funding of

approximately £200k/annum was supplemented for three years by an amount of £150k. This three-year period ends in March 2012, thus releasing the supplementary amount as a potential budget saving in future years.

- (b) The budget includes an amount of £155k for recruitment costs, which should not be fully required in future years.
- (c) Any other savings would have an impact on one or more of the constituent boroughs' income targets, so are not deemed appropriate to investigate further at present.

5 Recommendations

5.1 The Board is recommended to:

- (a) note the progress made on achieving financial savings at 3 above; and
- (b) take decisions about the options identified at 4 above.

Paul Taylor
MANAGING DIRECTOR

Appendices		
None		
Background Papers		
07/06/10	Report & Minute No.14/2010	Budgets and Savings – Future Strategy