

EAST LONDON WASTE AUTHORITY

7 FEBRUARY 2011

MANAGING DIRECTOR'S REPORT

ANNUAL BUDGET & SERVICE DELIVERY PLAN 2011-12	FOR APPROVAL
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1 Purpose

- 1.1 To consider the Annual Budget & Service Delivery Plan (ABSDP) 2011-12, produced by ELWA Ltd.

2 Background

- 2.1 The Integrated Waste Management contract contains specific requirements regarding service delivery plans:
- 2.2 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.
- 2.3 The 3 or 5 year Service Delivery Plan (SDP) follows a similar format to the OSDP but provides a greater level of detail.
- 2.4 The ABSDP follows a similar format to the other plans but provides a greater 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.
- 2.5 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.
- 2.6 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.

3 The 2011-12 ABSDP

- 3.1 Shanks East London submitted the financial aspects of the ABSDP to officers in line with the agreed timetable. However, we rejected the plan on the grounds that we did not consider it realistic and achievable, in light of recent operational performance. Appendix A summarises the current ABSDP and the submitted ABSDP for 2011/12 and a comparison on the current years expected performance

which indicates why Officers did not have confidence that the submitted ABSDP was achievable particularly given the lack of supporting text within the ABSDP document. We await submission of a revised ABSDP.

- 3.2 In the absence of an agreed plan, and in order for the Finance Director to make proposals for next year's levy, we have had to make assumptions about contractual performance. We have worked with finance colleagues to arrive at a calculated levy that is likely to fund the contract.
- 3.3 The intention is to submit the ABSDP for approval by members at the ELWA workshop in April.

4 Recommendations

- 4.1 Members are recommended to:
 - (a) note the report about the delay to the production of the ABSDP, and
 - (b) agree to consider the ABSDP for approval at the April workshop.

Paul Taylor
MANAGING DIRECTOR

Appendices	
A	Summary ABSDP performance figures
Background Papers	
None	