

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:

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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