

**AUTHORITY MINUTES: MONDAY 08 FEBRUARY 2016 (09.35 AM–10.45 AM)**

Present:

Councillor S Bain, Councillor R Benham, Councillor K Clark, Councillor I Corbett (Chair), Councillor S Kelly, Councillor L Rice, Councillor J Wade.

**40. Apologies for Absence**

An apology for absence was received on behalf of Councillor B Nijjar (Vice Chair) and an apology for delayed arrival was received from Cllr S Kelly.

**41. Declaration of Members' Interests**

There were none declared.

**42. Minutes of previous meeting (23/11/15)**

**Members confirmed as true and accurate** the minutes of the Authority meeting held on 23 November 2015. The Chair was authorised to sign the same.

**43. Budgetary Control and Contract Monitoring to 31 December 2015**

Members received the usual joint report and appendix from the Finance Director and Contract Manager. The report was based on a profiled budget of £44,277,000 and actual net expenditure on services of £44,565,000. It set out the position as at end December and projected a net overspend of £388,000, the details of which were contained in the appendix. The overspend comprised two main elements, a £200,000 overspend on payments to the Operator because of increasing volumes and diversion allowances and under achieved royalty income. The Finance Director advised that with a further six weeks to go there was some uncertainty as to the outcome but his best estimate was a £388,000 overspend.

The Managing Director commented that recycling was down at 18.22% with a 23% year end projection and diversion was on estimate for the year.

**Members noted** the report.

**44. Treasury Management Strategy 2016/17 and Prudential Code Indicators 2016/17 to 2018/19**

**Members** received the Finance Director's report and four appendices detailing ELWA's treasury management borrowing and investment strategy for 2016/17. The Finance Director advised that the borrowing requirement for 2016/17 should be set at £400,000 and would only be used in the unlikely event that it was needed and Members agreed. He confirmed that there was little opportunity for investment and reserves were low. The central theme of the report was to ensure liquidity and a strategy for the coming year.

**Members agreed** the borrowing strategy for 2016/17 as set out in paragraph 8; the minimum revenue provision policy statement for 2016/17 at paragraphs 10-14 and summarised in paragraph 9; the treasury management policy statement set out in the appendix and prudential indicators for treasury management at paragraph 18 of the report.

**45. Circular Economy**

Members received Managing Director's progress report in connection with the jointly commissioned Joint Waste Disposal Authorities' Circular Economy report and wider developments which facilitates a decision to support the proposed recommendations.

The Managing Director reminded Members that they had asked officers to widen the network and it was confirmed that Lancashire, Blackburn and Essex County Councils were now on board. There had been increasing support that Defra takes its place in Europe to get the best possible position for the United Kingdom (UK). He confirmed that these Local Authorities were in line with ELWA's lobbying position as outlined in the report. This was an ongoing piece of work and future reports would be brought to the Authority.

Members noted that that the European Union's proposals would be considered and negotiated by

member states with 18 months for transposition of the final requirements into local legislation. It was estimated that the requirement would become law in the UK in 2019

Paragraph 14 of Appendix A summarised the Joint Waste Disposal Authorities key positions and could be used as the basis for a lobbying position

Members reflected on the outcomes for their Constituent Councils, following the change in legislation affecting white goods disposal and the Members particularly wanted to avoid the occurrence of a similar situation.

Members discussed the financial implications of imposed recycling targets on the Constituent Councils as well as cuts in funding for Defra and how businesses (the polluters) would be placed to make representations and share costs.

In addition, they considered the proposals for waste management as set out in paragraph 4.4, achievable targets and realistic timetables. The results of the Referendum to stay in the European Union (EU), was also considered.

**Members noted** the proposals by the Mayor of London and EU for moving to a circular economy, the impacts of the EU proposals for waste management identified in the Joint Waste Disposal Authorities' commissioned report at Appendix A and the next steps for lobbying the EU and UK Government.

#### **46. Review of Corporate Risk Register**

Members received the Managing Director's report and appendices. Members were informed that the risk register now contained a risk appetite column for the purpose of agreeing the appropriate risk response. The assessment had particularly highlighted financial risks with regard to flytipping (operational risks 3-5 and 13) at the landfill sites. These were being addressed.

**Members approved** the revised corporate risk register, the risk appetite position and further actions as identified in paragraphs 5.9, 5.10, 5.12 and 5.13.

Councillor S Kelly joined the meeting.

#### **47. Annual Budget and Service Delivery Plan (ABSDP) 2016/17**

Members received the Managing Director's report, confidential appendices and opinion that the ABSDP did not meet the contractually agreed target of 30% and that the recycling projection was disappointing at 23% especially as the new agreement had increased the incentive to reuse/recycle and divert from landfill by other means as well as produce Refuse Derived Fuel. He added that too many errors and missing information made the ABSDP unsuitable to monitor and plan future service delivery aspects. A revised draft was expected.

Members discussed at length the achievability of the 30% target and whether or not this was an aspirational target and potential repercussions of non achievement, the impact of the earlier removal of the Reuse & Recycling Centre Materials Recovery Facility and Optibag System and how to achieve higher recycling performance. Members also discussed the fact that the ABSDP had not been agreed over the past 3 years, including the 5 year service delivery plan, and the options for entering into dispute resolution. They also considered the impact on the Contractor and its funders.

**Members noted** that officers continued to have concerns relating to some aspects of the ABSDP for 2016/17 and that they were not in a position to recommend to the Authority that it gives approval of these documents as currently drafted.

**Members agreed** the recommendation to formally reject the ABSDP and to enter into a formal dispute with the Contractor (ELWA Limited), should the revised ABSDP fail to meet expectations.

#### 48. Revenue & Capital Budgets and Levy 2016/17

Members received the Finance Director's report and appendices recommending the 2016/17 budget and average levy increase of 5.9% be approved, based on the 2016/17 to 2018/19 financial strategy and risk analysis undertaken. The levy charge for each Constituent Council varied from the average, reflecting changes in relative tonnages and council tax bases.

Members were advised that the levy had been set on the basis that general revenue reserves are kept at £3.0m over the three year period, with £750,000 each year transferred to an earmarked strategy reserve to deal with preliminary costs associated with a new waste management strategy. At the end of 2018/19 the strategy reserve would have had £2.25m contribution. The capital reserve will be reduced to £100,000.

Members were informed that an ongoing efficiency savings target of £1.5m was being included as part of the 2015/16 budget with a proposal that this target is retained in the Authority's 3 year Financial Strategy. This would be subject to review as part of the financial projection and budget strategy for 2017/18 to 2019/20 and considered in November 2016 by Members. Without this efficiency target it was thought that the levy increases would be considerably higher than those proposed. The Levy for 2017/18 and 2018/19 are projected to be set at 3.9% respectively.

It was made clear to Members that achievement of the efficiency savings fell not only to ELWA in terms of contract efficiencies but also to the Constituent Councils' and their own initiatives including reducing the waste tonnages delivered to ELWA.

A net change in the use of reserves (0.4%), the build up of strategic reserves (1.4%), tonnages and diversion supplements (1.9%) inflation increase (0.4%), insurance premium increase (0.6%), Landfill Tax (0.3%) and funding of previous years overspends (1.0%) generated the overall levy due.

One Constituent Council Member felt that they could not agree to the proposals and was particularly unhappy about increasing reserves in this way. It was explained that the Constituent Councils could find it extremely difficult to allocate the necessary sums for a future procurement exercise especially when Council funding was being cut. Members questioned what mechanisms would be in place at the Constituent Councils to generate the sums required if the Authority were to call for procurement funding at a later date. On balance the majority felt that the level of reserves were required for this purpose. The Finance Director as Section 73 Officer commented that he stood by these proposals and would be remiss in his duties if he did not.

Members were advised that Officers' intended to take forward with the Constituent Councils and a wide variety of stakeholders a review of the levy apportionment and would report back to Members in 2016/17.

The Chair called for a show of hands in response to the proposals.

**By majority vote (5, 1, 1) Members agreed:**

- (a) the revenue budget for 2016/17 totalling £59,351,000 as set out in Appendix A of the report;
- (b) the charges for commercial and industrial waste at:
  - £79 per tonne for recycled commercial industrial waste and
  - £146 per tonne – other commercial industrial waste;
- (c) on the basis of a & b above, that ELWA will determine its Levy for 2016/17 at £56,567,000 which is an average increase of 5.9%;
- (d) on the basis of the agreed formula for apportioning the levy, that the levies for the constituent councils with percentage increases be as follows

London Borough of Barking & Dagenham	£10,880,000	4.7%
London Borough of Havering	£13,670,000	5.0%
London Borough of Newham	£16,450,000	6.9%
London Borough of Redbridge	£15,567,000	6.7%
- (e) the risk analysis of the budget and the policy on reserves; and
- (f) the continuation of existing arrangements for the payment of the Levy, commercial and other waste charges.

### 49. Any other public items

There were none.

### 50. 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 of the Local Government Act 1972 (as amended).

### 51. Contract Renegotiation & Options for Savings

**Members received** the Managing Director's report and commentary proposing an option to extend the diversion agreement with Shanks Waste Management, coterminous with the Integrated Waste Management Services Contract, in order to deliver longer term savings for either recycling or diversion. Members were asked to consider proposed options and balance the risks involved for the Authority, so that it could benefit from four stages of financial savings available in respect of the closure of the Survival Bag Materials Recycling Facility (SBMRF) at Jenkins Lane.

Members discussed the risks surrounding the proposed and trialled alternative arrangements available on closure of the SBMRF and potential for increased recycling and savings. In addition, Members discussed recycling, waste contamination and the implications for their respective Constituent Councils. Members satisfied themselves as to the potential for review of arrangements, the risks to the Constituent Councils, the need for less contaminated waste and the savings to be achieved.

**Members agreed to delegate power** to the Managing Director for him to formally agree and finalise the detail of the extension of the agreement with Shanks Waste Management (SWM) in relation to increased disposal from landfill savings and to prepare, complete and sign all necessary documentation and to do all things necessary to facilitate the implementation of the agreement.

**Members agreed to delegate power** to the Managing Director for him to formally agree and finalise the detail of the agreement with ELWA Ltd relating to the closure of the SBMRF at Jenkins Lane to release related savings and to prepare, complete and sign all necessary documentation and to do all things necessary to facilitate the implementation of the contract Variation.

### 52. ELWA Limited 27/01/16 Board Agenda

**Members noted** the contents of the confidential Agenda pack and received a short commentary from the Managing Director and 'A' Director on the latest position regarding recovery of operations and the insurance claim following the fire at Frog Island in August 2015. Members enquired as to where the root cause of the fire came from and were advised that it had still not been possible to identify exactly whether this was in contract or non-contract waste. Members were made aware that the insurance premium had increased significantly by 230/240% and that ELWA's position on this had been made known to the Contactor.

### 53. Date of next meeting

20 June 2016

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Minutes agreed as a true record.

Chair: K Clark

Date: 20/06/2016