

AUTHORITY MINUTES: MONDAY 09 FEBRUARY 2015 (09.35AM – 10.30 AM)

Present:

Councillor S Bain, Councillor R Benham, Councillor K Clark, Councillor S Kelly, Councillor L Rice and Councillor J Wade.

50. Appointment of Chair

Members nominated and agreed that Councillor Kelly conduct the meeting in the absence of the Chair and Vice Chair.

51. Welcome and Apologies for Absence

An apology for absence was received from Councillor I Corbett (Chair) and Councillor B Nijjar (Vice Chair). A welcome was extended to the new Board representatives.

52. Declaration of Members' Interests

There were none declared.

53. Minutes of previous meeting (24/11/14)

Members confirmed as true and accurate the minutes of the Authority meeting held on 24 November 2014 and the Chair was authorised to sign the same.

54. Treasury Management Strategy 2015/16

The Interim Finance Director presented his report and four appendices which contained the proposed strategy and prudential indicators for treasury management for 2015/16. The report contained new borrowing requirements and debt management arrangements and minimum revenue provision policy statement. In addition the report looked at the annual investment strategy, the treasury management policy statement and prudential indicators for treasury management. Members were advised that this was the normal annual report that the Authority was required to provide as part of the levy process. He advised that there had been cash flow difficulties and it was recommended that levy payments be made by the Constituent Councils on a monthly rather than quarterly basis.

Members agreed the recommendations as set out in paragraph 2.1 (a-e).

55. Revenue & Capital Estimates and Levy 2015/16

The Interim Finance Director presented his report relating to the next financial year. The recommendations set out included a budget of £57.7m, charges for commercial & industrial waste, the basis of the levy sum, apportioned percentage increases applicable to the Constituent Councils, risk analysis of the budget and policy on reserves, request for monthly levy payments and continuation of payment arrangements for commercial and other waste charges.

He explained that the percentage levy increase per council varied by tonnage and council tax base, that 94/95% of the service was locked into the PFI contract for which it was fairly difficult to negotiate changes with the contractor and inflationary increases in contract costs. The Authority was aware of budget assumptions on tonnages always being volatile and the increases were high at 7-8%. Previous use of reserves meant there were insufficient reserves available to reduce the levy for the next financial year.

Members raised concerns about the financial pressures and constraints on their Constituent Councils and wondered how the Authority would similarly address this issue. Concern was raised by one Member that they were under pressure to pull out of the scheme. Officers were asked what could be done to reduce tonnage levels. As this was dependent on housing and population growth, consideration would need to be given to this in the short term. Members discussed the pros and cons of recycling and increased tonnages with respect to impact on the levy.

The Chair reminded Members of the funds already taken out of reserves and returned to the Constituent Councils by way of subsidised levy charges in recent years. He advised that without the latest efficiency savings, the levy figure would have been much higher.

It was the Chair's view that the Authority was operating more healthily than previously in that it was producing efficiencies and good diversion rates stating that the Government has continued to increase landfill tax since the start of the contract and this has had an impact. Overall, he believed ELWA to be a very efficient Waste Authority and that the contractor's performance had improved. He reminded Members of the current options available to the Authority at the end of the contract.

Members considered the possibility of lobbying the GLA in the next few months to urge it to treat, as high priority, the need to address a programme for the treatment of waste at source in new build schemes, contractor waste and landfill tax. **Members were asked** to develop tighter relationships with their Planners, the aim being to remove the waste from the contract in the first instance.

Members agreed to meet more frequently and informally to discuss their Constituent Council's approach to waste collection and strategies. The Managing Director confirmed that the Board was happy to facilitate this having discussed it recently at Board. This would feed into the Authority's long term Strategy.

Concern was raised about the insurance premium applied following the fire at Frog Island. The Chair advised that this cost was something that the Authority would have to bear as a matter of course.

Members reluctantly agreed the recommendations as follows:

- a) The revenue budget for 2015/16, totalling £57,692,000 as set out in Appendix A to the report;
- b) The charges for commercial and industrial waste for 2015/16
 - (i) Commercial & Industrial Waste – recycled £77 per tonne,
 - (ii) Commercial & Industrial Waste – other £143 per tonne,
- c) That on the basis of (a) and (b) above, ELWA determines its levy for 2015/16 as the sum of £53,401,000, an average increase of 11.1%;
- d) On the basis of the agreed formula for apportioning the levy, the levies for the Constituent Councils with percentage increases will be as follows:

	£	%
Barking and Dagenham	£10,392,000	10.2
Havering	£13,023,000	8.6
Newham	£15,395,000	15.0
Redbridge	£14,591,000	10.1

- e) The risk analysis of the budget and the policy on reserves;
- f) That the levy is paid to ELWA in monthly instalments;
- g) The continuation of existing arrangements for the payment of commercial and other waste charges.

An enquiry was made as to what would happen in the event that a Constituent Council was unable to pay. It was believed that this might generate legal action from the Authority and remaining Constituent Councils because the Contractor would still need to be paid contractual costs. Officers would look into this and report back to Members.

Members agreed that because of concerns at the levy rates they would need to move discussions forward at a greater speed and in more informal settings. Officers were happy to facilitate this if required.

Members noted the report.

56. Annual Budget and Service Delivery Plan

The Managing Director presented his holding report and appendix. Members were advised that the submitted plans were unacceptable as they lacked detail and were missing information. More importantly they did not reflect the increase in contract targets applicable from next year. This was a fundamental error and totally unacceptable. The missing information made the documents unsuitable for Officers to monitor and plan future service delivery.

Officers did not feel that the plan acknowledged or reflected the financial position that ELWA and its Constituent Councils were in. It also failed to reflect or mention the savings agenda and the potential wider impacts on service provision. Officers believed that a plan submitted on a business as usual basis was not acceptable. Therefore Officers needed more time to rectify outstanding issues having raised the issues with the Contractor. Officers will bring revised plans to Members for approval in due course.

Members noted the report.

57. Review of Corporate Risk Register

The Managing Director presented his report highlighting the key risks faced by the Authority and the actions required to limit the likelihood and impact of those risks. He advised that although the register is reviewed annually, it is amended as and when changes to the Authority's risks profile changed.

Members' attention was drawn to paragraph 5.7 which highlighted 2 medium strategic risks as the breakdown of relationship with Contractor, reflecting ongoing commercial discussions between officers and the Contractor and failure to deliver improved levels of contractual performance. Contractual performance primarily related to the Fire at Frog Island and change in export markets for Refuse Derived Fuel and higher gate fees. One high risk had been identified as the viability of Aveley Methane Ltd due to increased likelihood of their ceasing to trade within the next twelve months as a result of a severe reduction in landfill gas levels.

Paragraph 5.9 highlighted 4 medium risk groups. These related to the closed landfill sites, by their very nature but the risks were mitigated by continued effective management, presence and insurances; the continued operation of the waste facilities, continued effective monitoring by ELWA and Council officers was paramount to avoid costly fraudulent activity; and tonnage levels and performance of collection authorities in light of uncertainty of maintaining service provision because of budget pressures and service reviews. The 1 high risk related to the removal of illegal fly tipping at the Wennington site. Members were advised of the possibility that the Authority would have to remove and dispose of the large amounts of waste deposited and the costs could be significant. The Managing Director was in receipt of a technical report and had engaged with Thurrock enforcement officers to establish what further action might be required. Additional reports would follow.

None of the medium term risks would prevent business continuity and therefore no further action was planned.

Members noted the report.

58. Contract Monitoring to 30 November 2014

Members have received the Contract Manager's regular report and Appendices providing monitoring, outcomes and the actions taken in connection with the Integrated Waste Management Services (IWMS) contract.

Contract waste tonnage at November was 305,670t being 1.1% above forecast and an increase over the same period last year. Tonnage over the last four months of last year showed tonnage levels at 136,000t and Members were advised that if this sequence repeated this year there would be a 3% increase on the budgeted figure with tonnages at 441,700t (15,000t higher). Disposal cost would be £900,000.

Recycling performance resulted in a 0.3% decrease over the same period last year. Overall the year to date figure is 25.1% as a result of green waste collections. Year end forecast is 24%.

Year to date, diversion from landfill was at an acceptable level of 73% but was not back to pre fire levels. November's diversion performance at 82% was considered exceptional and was as a consequence of restocking the Frog Island BioMrf.

Overall contract tonnage was higher than budgeted for and waste delivered last year. The longer term view predicted a 1.5% p.a. increase in tonnage, in line with housing and population growth. These factors would continue to provide budget pressures going forward.

The Chair commented that the Contractor should be congratulated on getting the Frog Island plant back up and running swiftly, following the fire.

Members noted the report.

59. Budgetary Control to 31 December 2014

The Interim Finance Director presented his report and budget monitoring statement containing details of revenue budget ongoing variables, revenue budget impact of the fire, insurance and prudential indicators.

He drew Members' particular attention to two issues. Increased tonnage costs were being absorbed into this year's budget and the impact of the fire. One quarter of the insurance costs would be absorbed in this financial year and the remainder would be accounted for next year. The revised insurance policy included a rise in deductibles to £1,000,000 from £10,000. This will be covered by the Operator who is expected to try and renegotiate the position.

Excluding fire related costs, current projections showed a £200,000 net overspend at year end. All fire related losses will be included in the insurance claim as previously advised.

Members discussed the insurance increase and availability of waste insurance **and agreed** that this should be included in future Strategy discussions.

Members noted the report.

60. Dates of Next Meetings

Members noted the dates for future meetings.

Members noted that the best date available for their informal workshop was 6 March. The workshop would be set for this date.

61. Other public items

There were none.

62. Private Business

There was none.

Minutes agreed as a true record.

Chair: Len Corbett

Date: 22.6.2015