

NOTICE OF MEETING

Monday, 12 September 2016 –Civic Centre, Dagenham, RM10 7BN – 9.30am

Members

Councillor Ken Clark (Chair), Councillor Sheila Bain (Vice Chair), Councillor Ian Corbett, Councillor Osman Dervish, Councillor John Howard, Councillor Steven Kelly, Councillor Lynda Rice and Councillor Jeff Wade

Mark Ash
Managing Director

02 September 2016

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AGENDA

1. Apologies for absence
2. Declaration of Members Interest

In accordance with the Constitution, Members are asked to declare any personal or prejudicial interest they may have in any matter which is to be considered at this meeting.

Items for decision

3. Minutes – To note the minutes of the Authority meeting held on 20 June 2016 (pages 1-4)
4. Statement of Accounts and Auditor’s Report 2015/16 (pages 5-8)

The Appendices which relate to the actual Statements are not available and will be circulated under separate cover. The Authority’s external auditors will be attending for this item.

Items for information

5. Treasury Management Outturn 2015/16 (pages 9-14)
6. Budgetary Control & Contract Monitoring to 31 July 2016 (pages 15-26)
7. Date of next meeting: 21 November 2016
Members are asked to note the date of the next Authority meeting.
8. Any other public items which the Chair decides are urgent
9. To consider whether it would be appropriate to pass a resolution pursuant to Section 100A (4) of the Local Government Act 1972. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.

Confidential Business

The public and press have a legal right to attend ELWA meetings except where business is confidential or certain other sensitive information is to be discussed. The items below relate to the business affairs of third parties and are, therefore, exempt under paragraph 3 of Part I of Schedule 12A of the Local Government Act 1972 (as amended).

Confidential Items for Decision

10. Contract Renegotiation & Efficiency Savings (Insurance Dispute) (pages 27-32)

This report has been restricted to Members and specific officers only as it contains commercially confidential information.

11. Aveley Methane Limited (pages 33-72)

This report has been restricted to Members and specific officers only as it contains commercially confidential information.

Confidential Items for Information

12. ELWA Limited 19/07/16 Board Agenda (pages 73-96)

This report has been restricted to Members and specific officers only as it contains commercially confidential information.

13. Any other confidential or exempt items which the Chair decides are urgent

AUTHORITY MINUTES: MONDAY 20 JUNE 2016 (09.50 AM–10.32 AM)

Present:

Councillor S Bain, Councillor K Clark, Councillor O Dervish, Councillor S Kelly, Councillor L Rice, Councillor J Wade.

1. Appointment of Chair, Vice Chair and ELWA Limited 'A' Director and alternate 'A' Director for the year 2016/17

In the absence of Chair and Vice Chair, Councillor Kelly opened the meeting by requesting nominations, from the membership as set out in the Monitoring Officer's report, for the posts Chair and Vice Chair of the Authority and 'A' Director and Alternate 'A' Director to ELWA Limited (the Contractor).

Members nominated and agreed the appointments of ELWA Chair and Vice Chair and ELWA Limited 'A' Director and Alternate 'A' Director for the year 2016/17 as follows.

Chair:	Councillor Ken Clark	London Borough of Newham
Vice Chair:	Councillor Sheila Bain	London Borough of Redbridge
Elwa Limited 'A' Director:	Councillor Steven Kelly	London Borough of Havering
Elwa Limited Alternate 'A' Director:	Mark Ash	East London Waste Authority

Members noted the change in membership for the municipal year 2016/17 and Officers were authorised to send letters of thanks to the two outgoing Members and a letter of particular thanks was requested be sent to Councillor Corbett for his work over the last two years as Chair of the Authority.

The Members took the opportunity for introductions from around the table.

2. Apologies for Absence

An apology for absence was received on behalf of Councillor J Howard.

3. Declaration of Members' Interests

There were none declared.

4. Minutes of previous meeting (08/02/16)

Members confirmed as true and accurate the minutes of the Authority meeting held on 08 February 2016. The Chair was authorised to sign the same.

5. Nominations under Section 41 of the Local government Act 1985

Members received the Monitoring Officer's report and commentary on the statutory requirement to nominate from the membership one Member from each of the Constituent Councils to answer questions on behalf of the Authority put by other Members of their Constituent Councils in the course of council proceedings pertaining to the discharge of the Authority's functions for the year 2016/17.

Following brief discussion, **Members nominated and agreed** the lead Members to answer questions on behalf of the Authority at their respective Constituent Councils would be the respective council's lead member or lead for environment/waste matters, namely:-

London Borough of Barking & Dagenham:	Councillor Lynda Rice
London Borough of Havering:	Councillor Osman Dervish
London Borough of Newham:	Councillor Ian Corbett
London Borough of Redbridge:	Councillor John Howard

6. Appointment of Finance Director

Members received the Managing Director's report requesting approval for the secondment and appointment of Maria G Christofi from the London Borough of Redbridge (LBR) to the position of Finance Director of the Authority. The terms of the secondment will be set out in a signed agreement between the Authority and LBR and with the consent of the appointee.

The Managing Director explained that this was a statutory appointment requiring the appointment of a named individual and needed the approval of Members. The recommendation was based on legislative requirements, the historic relationship with LBR for financial services and the desire to maintain continuity and effectiveness of the overall financial management arrangements. He added that Mr Green, the previous incumbent, had recently left his post at LBR and therefore ELWA.

Members agreed the secondment and appointment. Members welcomed Maria G Christofi to the post of Finance Director to the Authority.

7. External Audit Plan 2015/16

Members received the External Audit Plan 2015/16, report and Appendix.

Philip Johnstone & Antony Smith, External Auditors, KPMG attended the meeting and presented commentary and detail on the External Audit Plan 2015/16. The audit plan sets out KPMG's work plan for the next couple of months including responsibilities and key risks.

Mr Johnstone drew Member's attention to the Auditors' responsibilities and that the audit approach covered the risks of management override, accounting for the PFI scheme, property, plant and equipment (PPE), fly tipping at the landfill sites and opening balances. He explained that new value for money guidance had been introduced requiring a different programme of work when performing the audit. This had resulted in their application to the Public Sector Audit Appointments for an increase in the scale fee. The Auditors, however, did confirm that the fee would remain the same at £18,270 for the current year.

The Auditors confirmed that they will report back to the Authority on any major issues arising as a result of the continuing audit.

Thanks were extended to the External Auditors and they left the meeting.

Members noted and agreed the report.

8. Internal Audit Progress Report

Members received the Internal Audit Progress report 2015/16, Audit Plan 2016/17, Planned Audit Coverage to March 2021 and appendices, together with the Finance Director's commentary. Members were informed that based on the audit work undertaken during 2015/16, Internal Audit had reached the opinion that the Authority's overall control framework was generally sound and that core financial systems continued to operate effectively and that no fundamental breakdowns in control result in material discrepancy.

The 2015/16 audit had covered corporate governance and contract management with the newly introduced Automatic Number Plate Recognition system replacing the audit of the Constituent Councils' individual monitoring programmes to reduce non-contract waste being accepted at the Reuse & Recycling Centres.

The 2016/17 audit focus will be to review progress on the implementation of revised contract monitoring regime with particular emphasis on the involvement of the Constituent Councils and the effectiveness of contract monitoring as a whole. The audit will also include financial management on contract and non-contract related expenditure as well as follow up on recommended actions.

Timescales set aside for these audits are 2015/16 30 days and 2016 to 2021 33 days.

Members noted and agreed the audit coverage for 2015/16, 2016/17 and the five year strategic plan as set out in the Appendix.

9. Financial Outturn Position & Contract Monitoring Review for the year 2015/16

Members received the joint report of the Managing Director and Finance Director, together with appendix summarising the financial outturn, contract monitoring and budget monitoring for the year 2015/16. Net expenditure of £58.158m, against a budget figure of £57.692m, showed a net over spend of £0.466m. An over spend in contractor payments and shortfalls against the savings efficiency target (£0.192m) and in royalty income (£0.232m) were partly offset by higher commercial waste income levels and efficiencies in non contract expenditure. Royalty income was reduced as a result of the loss of a contract by the Operator. Diversion from landfill payments were up by £253,000.

Tonnages for the year were broadly in line with budget at 441,200 tonnes.

Members and officers discussed at length the increased tonnages received at Jenkins Lane and concluded that this was mostly as a result of the strike, accessibility and physical geography and since residents could use all four Reuse & Recycling Centres. Members also discussed the study made 2/3 years previously and subsequent 2 months' of trend monitoring by LBN Officers. This had shown a 50% usage by LB Barking & Dagenham. An analysis of trends was thought to be useful by Members. The Automatic Number Plate Recognition system at the Reuse & Recycling Centres had become operational in February 2016 and was thought would provide better real time data. The Managing Director reminded Members that every effort should be made by the Constituent Councils to reduce tonnage delivered into the contract in order to keep the Levy down.

Members received commentary on diversion from landfill (78.5%) and the impact of the new diversion agreement entered into to enhance performance by the Operator. Recycling performance fell short of the Annual Budget & Service Delivery Plan (ABSDP) figure of 22.59%, by 3.25%. The Managing Director confirmed that he had written to ELWA Limited in connection with the poor recycling and had rejected the ABSDP.

Members enquired and received assurance regarding the lost commercial waste income and insurance claim following the fire at Frog Island.

Members were advised that a significant part of the efficiency savings had been achieved by the Managing Director enforcing a contract provision and securing additional payments from the Contractor.

The three year financial projections and budget strategy process will take into account of the over spend in 2015/16 and will be submitted to Members at their next meeting in November.

Members noted the report and the net overspend against budget, as a result of budget pressures within the IWMS contract, the shortfall in royalty income and that no significant changes to the provisional figures were expected.

10. Budgetary Control & Contract Monitoring to 30 April 2016

Members received the regular joint report and appendix presented by Finance Director containing details of Revenue Budget and prudential indicators.

To date there had been a net overspend of £0.025m on profiled budget of £4.760m with net expenditure on services at £4.785m. The outturn figure was projected to be £0.632 over budget as a result of non achievement of efficiency savings (target £0.500m) and a future shortfall in royalty income (£0.13m) based on the risk that the Operator is unsuccessful in securing new contracts.

Members were reminded that the £1.5m efficiency savings year on year could not be maintained indefinitely. The shortfall in efficiency savings is dependent on the efforts of the Constituent Councils to reduce waste tonnages delivered to ELWA. Currently, year-end tonnage is projected to be 447,000 tonnes.

Members considered the challenging impact of housing growth and generation of increased tonnage. This will need to be reviewed and housing growth modelled into future plans and the Levy.

Employee and non contractor costs and commercial waste income are all projected to be in line with budget.

11. Date of Next Meeting:

Members noted 12 September 2016 as the date of the next Authority meeting and were advised on the change in usual location. A proposal to alter the location of each meeting within the Constituent Councils was discussed.

12. Any other public items

Members requested a tour of the Frog Island site and instructed officers to make the necessary arrangements. Officers were asked if a site visit could also be arranged for council constituents, in particular those that had shown an interest from Barking & Dagenham. Members were informed that this was possible but numbers would need to be limited for health & safety reasons.

13. 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).

14. Contract Renegotiation & Efficiency Savings

Members received the Managing Director's report and commentary setting out the background to the report and confirming that he had used his delegated powers to conclude the matters of the extension of the diversion agreement with the Operator, Shanks Waste Management, and also in relation to the sale of Hall Farm closed landfill site.

15. ELWA Limited 28 April 2016 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. Confirmation that that Frog Island, following commissioning, should be fully operational at the end of the month was provided. The 'A' Director confirmed that all parties were working well together at the moment.

Minutes agreed as a true record.

Chair:

Date:

**AUTHORITY REPORT: STATEMENT OF ACCOUNTS & AUDITOR'S REPORT
2015/16**

1. Confidential Report

1.1 No.

2. Recommendations

2.1 Approve the Annual Governance Statement.

2.2 Consider and comment on the draft letter of representation.

2.3 Approve the draft Statement of Accounts for the financial year 2015/16.

3. Background

3.1 This report provides the Authority with the External Auditor's report to those charged with Governance for the year 2015/16 and the draft letter of representation. The report is also requesting that Members approve the draft Statement of Accounts for the financial year 2015/16.

3.2 The Authority is required annually to conduct a review of the effectiveness of internal control arrangements and this is incorporated in the Annual Governance Statement (AGS). Members are requested to approve the AGS as part of the 2015/16 Statement of Accounts.

3.3 There is a requirement for the external auditors to communicate any relevant matters in a report known as the ISA 260 report. This report summarises the main external auditor findings and recommendations arising from the 2015/16 Accounts. It also reports on work undertaken in connection with the use of resources, internal controls and risk of fraud.

3.4 Each year a letter of representation is to be provided to the auditors in respect of the audit of the accounts. This is attached in the appendix. The letter sets out the responsibilities for the preparation of the financial statements and the basis of the representations made.

4. 2015/16 Accounts

4.1 It is expected that the External Auditors, KPMG will give an unqualified opinion and certificate on the Accounts.

4.2 At the ELWA meeting in June 2011, Members were informed about changes to the statutory audit and accounts regulations that underpin the production of ELWA's financial statements. The 2015/16 financial statements are the sixth where the Authority has to fully comply with International Financial Reporting Standards (IFRS). This continues to create extra work and has required additional resources, which can be demonstrated by the size of the financial statements.

4.3 Members are reminded that it is the responsibility of the 'responsible financial officer' to sign and date the Statement of Accounts, and certify that it presents a true and fair view of the financial position of the Authority at the end of the financial year. However Members are still required to formally approve the audited financial statements by 30 September.

4.4 The financial position as outlined in the Statement of Accounts is broadly the same as I informed you in my Budgetary Control outturn report to the ELWA Authority meeting in June 2016.

5. Auditors attendance

5.1 The External Auditors will provide a verbal update on this report at the Authority meeting.

6. Conclusion

6.1 The audit of ELWA's accounts will be completed by the statutory deadline of the 30 September. There is expected to be an unqualified opinion.

7. Relevant Officer

7.1 Maria G. Christofi, Finance Director / e-mail: ELWA.Finance@redbridge.gov.uk / 020 8708 3588

8. Appendices attached

8.1 To follow.

9. Background Papers

20/06/16 – Financial Outturn Position & Contract Monitoring Review for the year 2015/16 and Minute 9/2016.

10. Legal Considerations.

10.1 None

11. Financial Considerations

11.1 As outlined in this report.

12. Performance Management Considerations

12.1 None

13. Risk Management Considerations

13.1 None

14. Equality considerations

14.1 There are no equality considerations arising from this report.

15. Follow-up Reports

15.1 Financial Projection and Budget Strategy 2017/18 to 2019/20.

16. Websites and e-mail links for further information.

16.1 http://www.recycleforyourcommunity.com/waste_authority/default.aspx

17. Glossary

AGS-Annual Governance Statement
ELWA – East London Waste Authority
IFRS – International Financial Reporting Standards
ISA – International Standard on Auditing

18. Approved by Management Board

18.1 30 August 2016

19. Confidentiality

19.1 Not applicable

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AUTHORITY REPORT: TREASURY MANAGEMENT OUTTURN 2015/16

1. Confidential Report

1.1 No.

2. Recommendations

2.1 To note this report.

3. Introduction

3.1 The Treasury Management Strategy including borrowing and investment strategies is approved by Members on an annual basis. The 2015/16 Strategy was agreed in February 2015 and this report details the outturn against the background of this Strategy.

3.2 Under ELWA's Constitution, the Finance Director is responsible for all the Authority's banking, borrowing and investment activities. The Treasury Management function is carried out by the London Borough of Redbridge on behalf of East London Waste Authority (ELWA).

3.3 The Authority's activities are regulated by statutory requirements, ELWA's Constitution, and a professional code of practice, the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. The Authority has adopted this code as part of its financial standing orders. The Code recommends that Authorities produce an annual report on Treasury Management after the year-end, which would include Treasury Management indicators.

3.4 This report is presenting to Members the Treasury Outturn for 2015/16 and covers all borrowing and investment activities undertaken during the last financial year.

4. Current Portfolio Position

External Borrowing

4.1 The total borrowing at 31 March 2016 was £1.250m consisting of Public Work Loans Board (PWLB) loans on a fixed rate basis. This falls within the set limits for external debt and interest rate exposure for fixed rates as per Appendix A.

4.2 The external borrowing position is summarised below:

	31/03/15 £m	Average Rate	31/03/16 £m	Average Rate
Public Works Loans Board	1.250	10.02%	1.250	10.02%

4.3 These loans were taken out many years ago when interest rates were much higher than they are today. Early repayment/rescheduling has been considered but given the PWLB redemption rates, the cost of early repayment would be prohibitive.

Investments

- 4.4 The Authority is required to produce an Annual Investment Strategy that sets out the Authority's policies in managing its investments. This was approved by Members as part of the Treasury Management Strategy at the meeting in February 2015.
- 4.5 The main objective of the investment strategy is to ensure the security of investments the Authority makes and also to maintain the liquidity of its investments in order to meet known liabilities. To meet this requirement, the Authority has approved creditworthiness criteria which must be strictly adhered to when making investment decisions.
- 4.6 The financial year 2015/16 continued to present challenging circumstances with regard to investments. Concerns relating to a slowdown in China's economy, the collapse of oil prices during 2015 and continued Eurozone growth uncertainties had resulted in sharp market volatility.
- 4.7 The Bank of England Rate, therefore, remained unchanged at 0.5% for the seventh successive year.
- 4.8 Note that in 2016/17 on 4 August 2016, the Bank Rate was cut from 0.50% to 0.25%.
- 4.9 Deposit rates remained depressed during the whole of the year, compacted by the "Funding for Lending Scheme" which continued to provide banks with cheap credit.
- 4.10 The Authority followed a prudent investment strategy with an operational lending list comprising financial institutions considered highly rated or who were part owned by the Government. All investment activity was carried out in accordance with the approved creditworthiness criteria.
- 4.11 In 2008, Heritable Bank went into administration owing ELWA £1.000m principal and £0.055m interest.
- 4.12 In August 2015 the Administrators, Ernest & Young LLP announced a dividend of £0.042m bringing the total received to £1.034m, equal to 98 pence in the pound.
- 4.13 The administrators applied to the Court of Session (Scotland) to further extend the administration period for another year, with the intention of making a final monetary distribution to creditors once all matters are concluded. However it can be assumed that this will not be of material value.
- 4.14 The summary position for the Authority in terms of investments at 31 March 2016 is as follows: -

	31/03/15 £m	31/03/16 £m
Long Term	-	-
Short Term	11.540	7.838
Total	11.540	7.838

- 4.15 There were no long term loans and the amounts invested were within the limits set on interest rate exposure for variable rates as per Appendix A.

5. Borrowing Requirements/Capital Programme 2015/16

- 5.1 In February 2015 the Authority was advised that the financing of future capital expenditure would be via the temporary use of cash balances or to raise loans via the PWLB and capital markets.
- 5.2 The Authority was also advised that as a result of the ongoing review of landfill sites ELWA might need to make arrangements to finance estimated capital expenditure of £0.400m in 2015/16.
- 5.3 In the event no capital expenditure was incurred in 2015/16, and no borrowing was undertaken.

6. Capital Receipt

- 6.1 During 2015/16 the Authority disposed of the Hall Farm, North Ockendon, landfill site and received a capital receipt for £0.115m. This has been placed within the Capital Receipts Reserve.

7. Prudential Indicators

- 7.1 The Authority is required by regulation to give due regard to the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities, and set Prudential Indicators for Treasury Management prior to the start of the financial year. Prudential Indicators cover borrowing, lending and capital expenditure levels and these are monitored on a monthly basis by the Finance Director.
- 7.2 In the Finance Director's report of February 2015, Prudential Indicators for 2015/16 were agreed.
- 7.3 Members are reminded that in the accounting treatment of the ELWA PFI scheme there is a need for PFI assets and liabilities to be shown on the balance sheet and included in the Prudential Indicators. Other long term liabilities on Appendix A shows that the PFI finance lease balance of £78.277m is within its external debt limit.
- 7.4 Appendix A shows the performance against the indicators.
- 7.5 All transactions have been carried out within the Prudential Indicator Limits.

8. Conclusion

- 8.1 The Authority managed its treasury management arrangements in accordance with the strategy kept within its prudent indicators and all investment was carried out in accordance with the approved creditworthiness criteria.

9. Relevant Officer

Maria G. Christofi, Finance Director / e-mail: ELWA.Finance@redbridge.gov.uk / 020 8708 3588.

10. Appendices attached

- 10.1 Appendix A: Prudential Performance Indicators.

11. Background Papers

23/11/15 Treasury Management Mid Year Strategy Review 2015/16 & Minute 31/2015.

20/06/16 Financial Outturn Position & Contract Monitoring Review for the year 2015/16
Report & Minute 9/2016

12. Legal Considerations.

12.1 None.

13. Financial Considerations

13.1 As outlined in this report.

14. Performance Management Considerations

14.1 None.

15. Risk Management Considerations

15.1 Main objective of the investment strategy is the security of investments.

16. Follow-up Reports

16.1 Half yearly monitoring in 2016/17.

17. Websites and e-mail links for further information.

17.1 http://www.recycleforyourcommunity.com/waste_authority/default.aspx

18. Glossary

CIPFA – Chartered Institute of Public Finance and Accountancy

ELWA – East London Waste Authority

PFI – Private Finance Initiative

PWLB – Public Works Loans Board

19. Approved by Management Board

19.1 30 August 2016.

20. Confidentiality

20.1 Not applicable.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS - 2015/16 OUTTURN

<i>Authorised Limit for External Debt</i>	Limit 2015/16 £m	Actual 2015/16 £m
Borrowing	14.000	1.250
Other Long Term Liabilities	88.000	78.277
TOTAL	102.000	79.527

<i>Operational Boundary for External Debt</i>	Limit 2015/16 £m	Actual 2015/16 £m
Borrowing	12.000	1.250
Other Long Term Liabilities	88.000	78.277
TOTAL	100.000	79.527

ELWA has adopted the CIPFA code of Practice in Treasury Management in the Public Services as part of its Financial Standing Orders.

<i>Upper Limits on Interest Rate Exposure (based on net principal outstanding)</i>	Limit 2015/16 £m	Actual 2015/16 £m
Fixed Rate - Borrowing	7.700	1.250
Variable Rate - Investments	(22.000)	(7.800)

<i>Projected borrowing at fixed rates maturing in each period as percentage of total projected borrowing at fixed rates</i>			
	2015/16 Upper Limit	2015/16 Lower Limit	2015/16 Actual
Under 12 months	35%	0%	2%
12 months and within 24 months	45%	0%	-
24 months and within 5 years	60%	0%	35%
5 years and within 10 years	80%	0%	-
10 and within 20 years	100%	0%	63%
20 years and within 35 years	100%	0%	-
35 years to 50 years	100%	0%	-

<i>Upper Limit for Total Principal sums invested for more than 364 days</i>	Limit 2015/16 £m	Actual 2015/16 £m
Total	1.000	-

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**AUTHORITY REPORT: BUDGETARY CONTROL AND CONTRACT MONITORING
TO 31 JULY 2016**

1. Confidential Report:

1.1 No

2. Recommendation:

2.1 To note this report.

3. Purpose

3.1 This budgetary control report compares ELWA's actual expenditure for the period ended 31 July 2016 with the original revenue budget approved in February 2016. It is based on information supplied by Shanks east London (the Operator), ELWA technical officers and the four Constituent Councils.

3.2 Budgetary control reports are presented for monitoring and control purposes.

3.3 This report also provides the Integrated Waste Management Services (IWMS) Contract performance for the period ended 31 July 2016 to support the financial information.

4. Background

Revenue Budget

4.1 Based on the profiled budget of £19.499m and the actual net expenditure on services of £20.239m the position is a net overspend of £0.740m to date. (see Appendix A).

4.2 Overall the outturn is currently projected £0.835m over budget at year end due to the anticipated projected tonnages being 1% above budget at year end, non achievement of efficiency savings.

4.3 The principal activity driver on ELWA's budget is the level of waste tonnage delivered from the Constituent Councils. Based on these council returns and ELWA technical officer advice, the 2016/17 budget and Levy setting process has assumed 447,000 tonnes in 2016/17. The end of year projection assumes a tonnage of 452,000 tonnes. There may however be other trends that affect the 2016/17 position and officers will need to determine the impact of possible increases in tonnages per household as well as demographic trends. The waste figure for June 2016 was 10% higher than the profiled budget however the July figure was nearly 5% lower than profiled budget. Such volatility and trends need to be closely monitored and reported to Members as part of periodic budget monitoring. Appendix B shows the projected and actual to date monthly tonnages profiles for 2016/17.

4.4 The projected end of year payment to the operator also assumes a small reduction in insurance costs (£0.168m). Elsewhere on this agenda is a report detailing the basis of this and it should be noted that the agreement has not been finalised yet.

4.5 The 2016/17 budget has taken account the financial impact of the agreement signed in June 2015. Although the agreement made provision for revised diversion supplements it is designed to incentivise the operator to divert from landfill as much waste as possible and thus passes the risk of diversion performance on to the Operator. Given this, then diversion performance is no longer a variable affecting the cost of the contract to ELWA and cost pressures in respect of the contract relate to tonnage levels.

4.6 Employee and non contractor costs are broadly in line with budget to date. Both these areas are projected to be in line with budget at year end.

- 4.7 At this stage based on ELWA technical officer advice commercial waste income for the year will be in line with budget at year end. The over-recovery in Appendix A represents the additional amount received in the 4th quarter of 2015/16 over that estimated.
- 4.8 Following the change in interest rates bank interest income will be below target.
- 4.9 In 2015/16 there was a significant shortfall of non contract royalty income against budget due to the loss of a contract and this to date has not been replaced. The Operator is making every effort to seek new contracts .Elsewhere on the agenda are details of an agreement in principle which guarantees royalty income of £0.403m and linked to this an insurance reduction of £0.136m. Although this is subject to final agreement these have been included in end of year projections. At this stage no additional income is assumed above the guaranteed minimum.
- 4.10 Members are reminded that underpinning the 2016/17 budget and levy is an efficiency savings target of £1.500m. In 2015/16 this was largely achieved due to two significant payments by the contractor to ELWA relating to the enforcement of a contract provision and these payments amounted to £0.900m. It is anticipated that one such payment (£0.405m) will be received 2016/17. Ongoing contract savings already achieved amount to £0.438m Taking all this into account total efficiency savings of £0.843m have been projected for the year, a shortfall against budget of £0.657m. In addition to ELWA making efficiencies it was noted as part of 2016/17 Levy setting report in February 2016 that achievement of this target also depended on the efforts of Constituent Councils in reducing waste tonnages delivered to ELWA.
- 4.11 The pressure on the Levy and the reserves over the next few years was reported to Members previously and as part of the 2016/17 Levy setting process reserves were set at the appropriate level to cover these risks. Therefore, it is important that robust monitoring of the financial position throughout the year remains in place with particular focus on the achievement of the minimisation of tonnage levels by the Constituent Councils and the efficiency savings target. Given the single purpose nature of ELWA it is difficult for remedial action to be taken on areas of over spend or to recover insufficient income collection.

5. Contract Performance

- 5.1 Year to date recycling continues to be slightly lower than contractual requirements but is an improvement on last year's figures. This is mainly due to the reintroduction of recycling output of the Frog Island BioMrf and the significant increase in green waste collected and recycled. Appendix C shows a complete summary of July performance with a breakdown of recycling performance for each constituent council.
- 5.2 Contract diversion continues to be buoyant with the RRC's continuing to send virtually nothing to landfill other than hazardous waste to specialist landfill sites. Overall diversion to date is at 93.24% well above the anticipated 80%.
- 5.3 Contract Tonnage to July is 0.6% (160,685 tonnes) above the anticipated tonnage for the period (159,674 tonnes) and 2.1% (157,240 tonnes) more than this time last year.

Prudential indicators

- 5.4 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. These are monitored by the Finance Director on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.

6. Conclusion

- 6.1 The position will continue to be closely monitored on a monthly basis throughout the financial year. The ability to remain within budget will depend to a great extent on tonnage trends, which is mainly influenced by the tonnage of waste received from the Constituent Councils and the Public at the RRC's, income collection and the extent to which efficiency savings are achieved

7. Relevant officer:

Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588 and Dave Hawes, Contract Manager / e-mail: dave.hawes@eastlondonwaste.gov.uk / 020 8724 5054

8. Appendices attached:

Appendix A: Budget Monitoring Statement to 31 July 2016
Appendix B: ELWA Tonnage Profile 2016/17
Appendix C: July Bulletin report

9. Background papers:

08/02/16 Revenue & Capital Estimates and Levy 2016/17 Report & Minute No.48/2015

10. Legal considerations:

- 10.1 This report is for noting and no legal implications arise that need highlighting

11. Financial considerations:

- 11.1 As outlined in the report.

12. Performance management considerations:

- 12.1 The financial position and projections should reflect service performance trends.

13. Risk management considerations:

- 13.1 The projected position depends on the performance of the contractor, tonnage levels and the success in achieving efficiency savings. The amount of reserves is set at a level to take account of the risks. Some of the financial benefits projected are subject to final agreement with the contractor.

14. Equalities considerations:

- 14.1 None.

15. Follow-up reports:

- 15.1 Budgetary Control Report, next meeting

16. Websites and e-mail links for further information:

- 16.1 http://www.recycleforyourcommunity.com/waste_authority/default.aspx

17. Glossary:

ELWA/the Authority = East London Waste Authority
Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham & Redbridge
IWMS = Integrated Waste Management Services Contract
The Operator = Shanks east.London
MRF=Materials Recycling Facility

18. Approved by management board

18.1 30 August 2016

19. Confidentiality:

19.1 Not Applicable.

BUDGET MONITORING STATEMENT TO 31 JULY 2016

	Original Budget 2016/17	Profiled Budget to 31/07/16	Total Actual to 31/07/16	Variance to 31/07/16	Projected Outturn	Outturn Variance
EXPENDITURE	£000	£000	£000	£000	£000	£000
Employee and Support Services	375	125	125	-	375	-
Premises Related Expenditure	154	51	51	-	154	-
Transport Related Expenditure	5	2	2	-	5	-
Supplies and Services						
Payments to Shanks.East London	59,903	19,350	19,729	379	60,103	200
Other (inc. cost of Support Costs)	443	148	148	-	443	-
Payments to Constituent Councils						
Capital Financing Costs	2,703	901	901	-	2,703	-
	181	60	60	-	181	-
TOTAL GROSS EXPENDITURE	63,764	20,637	21,016	379	63,964	200
INCOME						
Commercial Waste Charges	(2,466)	(617)	(617)	-	(2,511)	(45)
Interest receivable	(65)	(21)	(14)	7	(35)	30
Other income	(532)	-	-	-	(539)	(7)
Efficiency savings	(1,500)	(500)	(146)	354	(843)	657
TOTAL INCOME	(4,563)	(1,138)	(777)	361	(3,928)	635
Contingency Allocated	150	-	-	-	150	-
NET EXPENDITURE ON SERVICES	59,351	19,499	20,239	740	60,186	835
PFI grant receivable	(3,991)	(998)	(998)	-	(3,991)	-
previous year overspend funded	757	757	757	-	757	-
Levy Receivable	(56,567)	(18,856)	(18,856)	-	(56,567)	-
Net Contribution from reserves	450	-	-	-	450	-
NET	-	402	1,142	740	835	835

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ELWA TONNAGE PROFILE 2016/17

	Budget	Actual	Variance
April	38,509	38,214	-295
May	39,783	39,144	-639
June	39,603	43,535	3,932
July	41,779	39,792	-1,987
August	36,969		
September	38,324		
October	38,372		
November	34,850		
December	34,981		
January	36,143		
February	31,330		
March	36,356		
TOTAL	446,999	160,685	

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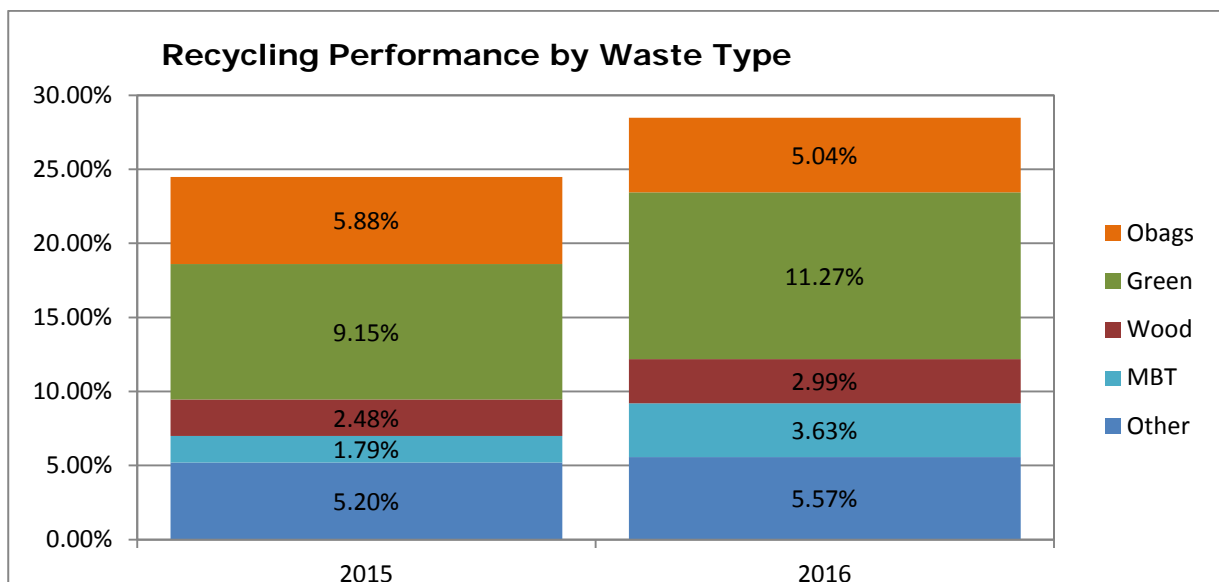
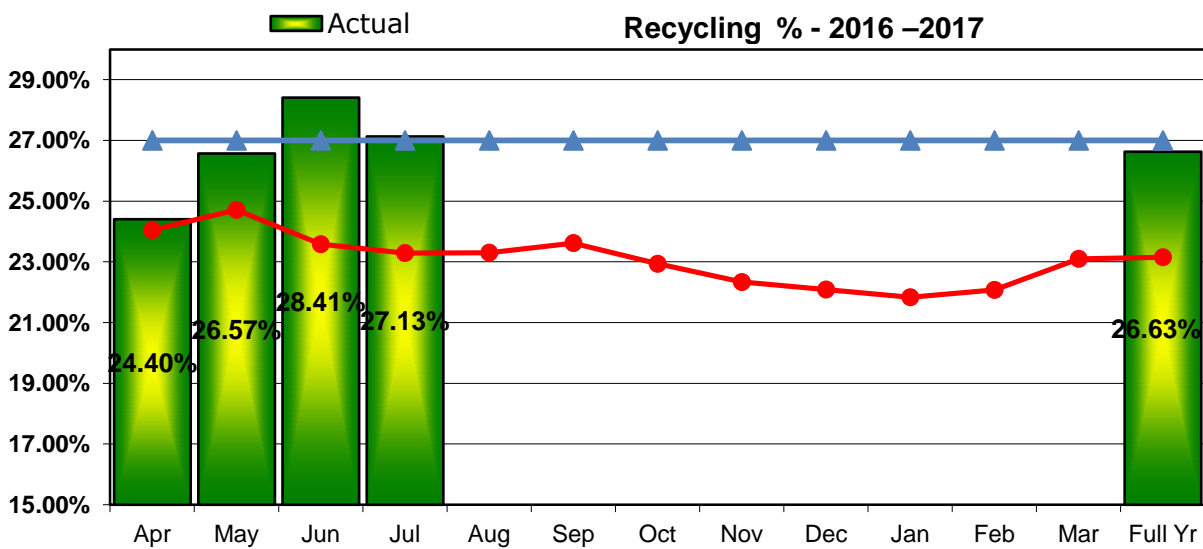
1. Contract Tonnage

1.1 Contract Tonnage to July is 0.6% (160,685 tonnes) above the anticipated tonnage for the period (159,674 tonnes) and 2.1% (157,240 tonnes) more than this time last year.

1.2 Although the July tonnage at 39,793 is slightly below the expected tonnage it only slightly rebalanced the very high tonnage seen the previous month. If the current trend continues for the rest of the year, the projected tonnage would be in nearly 450,000t an increase above budget of 3,000t.

2. Contract Performance

2.1 Year to date recycling continues to be slightly lower than contractual requirements but is an improvement on last year's figures. This is mainly due to the reintroduction of recycling output of the Frog Island BioMrf and the significant increase in green waste collected and recycled.



Borough Recycling (NI 192)				
	LBBB	LBH	LBN	LBR
July	27.38%	40.77%	14.03%	31.48%
YTD	27.69%	38.28%	14.21%	30.85%

2.2 The contribution of each waste type to the individual Borough recycling performance for July is as follows. *[Please note the following includes Non NI figures so does not match above figures exactly]*

LB Barking & Dagenham			
	Tonnes	Proportion of Recycling	Performance Contribution
Green garden waste	*916.74	37.7%	10.8%
RRC Dry * RRC Green inc above	679.60	27.9%	8.0%
BioMRF	335.31	13.8%	3.9%
Bring Sites	46.07	1.9%	0.5%
Kerbside	455.70	18.7%	5.4%
Total	2,433.42	100%	28.6%

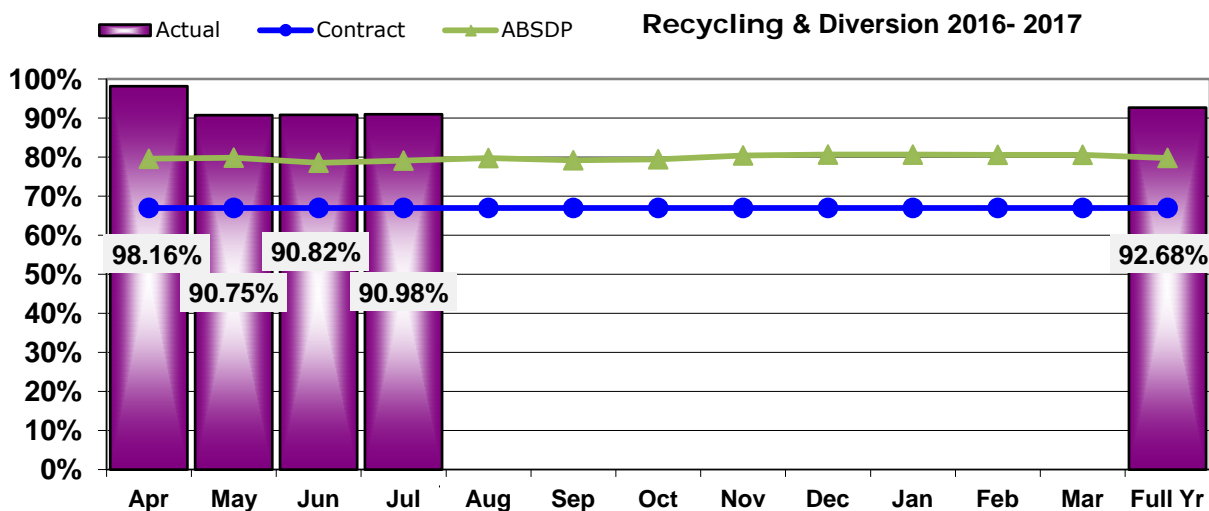
LB Havering			
	Tonnes	Proportion of Recycling	Performance Contribution
Green garden waste	*1,573.87	38.7%	16.3%
RRC Dry * RRC Green inc above	774.35	19.0%	8.0%
BioMRF	415.85	10.2%	4.3%
Bring Sites	219.92	5.4%	2.3%
Kerbside	1,086.93	26.7%	11.3%
Total	4,070.92	100.0%	42.2%

LB Newham			
	Tonnes	Proportion of Recycling	Performance Contribution
Green garden waste	*160.33	9.2%	1.4%
RRC Dry * RRC Green inc above	492.78	28.3%	4.4%
BioMRF	383.98	22.1%	3.4%
Bring Sites	81.04	4.7%	0.7%
Kerbside	621.91	35.7%	5.5%
Total	1,740.04	100.0%	15.4%

LB Redbridge			
	Tonnes	Proportion of Recycling	Contribution to Performance
Green garden waste	*1,321.36	40.9%	13%
RRC Dry * RRC Green inc above	551.92	17.1%	5%
BioMRF	314.63	9.7%	3%
Bring Sites	70.71	2.2%	1%
Kerbside	970.49	30.1%	9%
Total	3,229.11	100%	31%

3. Contract Diversion (including Recycling)

3.1 Contract diversion continues to be buoyant with the RRC’s continuing to send virtually nothing to landfill other than hazardous waste to specialist landfill sites. Overall diversion to date is at 92.68% well above the anticipated 80%.



4. Financial Considerations

- 4.1 As a result of the recent Diversion Supplement Agreement the main influence on the Contract budget is tonnage delivered into the contract, either by the Constituent Councils or the public into the RRC's. As the actual tonnage is showing an increase above the anticipated budget (year to date), and the average cost of every additional tonne being in the region of £76, this would equate to an additional cost of approximately £0.375m if projected to the year end.

5. Contract Monitoring

- 5.1 Frog Island Refinement Commissioning: All 3 lines in refinement are now operational and performance testing is almost complete. The site still remains under testing. .
- 5.2 Frog Island Transfer Station Overhaul Project: Commissioning of the shredder activity has commenced and training and procedures for safe operation are being developed by Shanks. Construction of the revised tipping facilities has been completed and revised traffic plans are being introduced .
- 5.3 Fly Monitoring: Increases in counts experienced over past month at Frog Island and Jenkins Lane -, as well as monitoring of waste age to ensure residency time does not creep over 14 days the pest contractor has instigated weekly calls to track fly management issues.
- 5.4 Site Monitoring Issues:- The Constituent Councils' representatives have raised no specific matters although the fly issue above had been noted at Jenkins lane.

Dave Hawes
August 2016

Documents are Restricted