

### NOTICE OF MEETING

Monday, 15 September 2014 – Civic Centre, Dagenham - 09.30 am

#### Members

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

Mark Ash  
Acting Managing Director

05/09/2014

Tel: 020 8724 5614  
E-mail: [mark.ash@eastlondonwaste.gov.uk](mailto:mark.ash@eastlondonwaste.gov.uk)

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### AGENDA

#### Items for information

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 confirm as correct the minutes of the meeting held on 23 June 2014 (pages 1-4)
4. Statement of Accounts and Auditor's Report 2013/14 (pages 5-6)  
The Authority's external auditors will be attending for this item.

#### Further items for information

5. Treasury Management Outturn 2013/14 (pages 7-10)
6. Budgetary Control to 31 July 2014 (pages 11-14)
7. Contract Monitoring Review to 31 July 2014 (pages 15-18)
8. Dates of next meetings:  
24/11/14 Annual Budget & Service Delivery Plan (required by 30/11/14),  
09/02/15 Levy (required by 15/02/15) and  
22/06/15 Annual General Meeting.

9. Any other public items which the Chair decides are urgent.
10. To consider whether it would be appropriate to pass a resolution pursuant to Section 100A (4) of the Local Government Act 1972.

### **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) or contains information relating to an individual, the financial and business affairs of third parties, negotiations related to labour relations between the authority and its employee(s) and is subject to an obligation of confidentiality and is therefore exempt from publication by virtue of paragraphs 1, 3, 4 and 8 respectively of part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

### **Confidential items for information**

11. IWMS Contract –Frog Island (pages 19-22)  
This report has been restricted to Members and specific officers only.
12. ELWA Limited 22/07/14 Board Agenda (pages 23-60)  
This report has been restricted to Members and specific officers only.

### **Confidential items for decision**

13. Closed Landfill Sites – Sale of Hall Farm (pages 61-72)  
This report has been restricted to Members and specific officers only.
14. Management Arrangements (pages 73-76)  
This report has been restricted to Members and specific officers only.  
The Authority's Business Partner, Human Resources, will be attending for this item.
15. Any other confidential or exempt items which the Chairman decides are urgent.

**AUTHORITY MINUTES: MONDAY 23 JUNE 2014 (10.20AM – 11.40AM)**

Present:

Councillor S Bain, Councillor I Corbett (Chair), Councillor S Kelly, Councillor B Nijjar, Councillor L Rice and Councillor J Wade

**1. Appointment of Chairman, Vice Chairman and ELWA Limited 'A' Director for the year 2014/15**

Members received the Monitoring Officer's report.

**It was agreed** that Councillor Corbett would Chair future meetings. Councillor Corbett thanked Councillor Kelly for his efforts and then requested that the title of Chairman become "Chair".

**Members nominated and agreed** the appointments of ELWA Chair and Vice Chair and ELWA Limited 'A' Director and Alternate 'A' Director for the year 2014/15 as follows.

Councillor Corbett (Chair), Councillor Nijjar (Vice Chair), Councillor Kelly (ELWA Limited's 'A' Director) and Mark Ash (ELWA Limited Alternate 'A' Director)

**2. Welcome & Apologies for Absence**

Councillor Corbett welcomed all new members. Introductions were carried out. An apology for absence was received from Councillor Clark. There remained one outstanding appointment from the London Borough of Havering.

**3. Declaration of Members' Interests**

There were none declared.

**4. Minutes of previous meeting (10/02/14)**

**Members confirmed as true and accurate** the minutes of the Authority meeting held on 10 February 2014 and the Chair was authorised to sign the same.

**5. Membership 2014/15**

Members **received and noted** the Office Manager's report and subsequent appointments. The Authority's membership for the year 2014/15 was **confirmed** as follows:

London Borough of Barking & Dagenham	Councillor Lynda Rice	Councillor Jeff Wade
London Borough of Havering	Councillor Steven Kelly	To be appointed
London Borough of Newham	Councillor Ian Corbett	Councillor Ken Clark
London Borough of Redbridge	Councillor Baldesh Nijjar	Councillor Sheila Bain

**It was recommended and agreed** that officers arrange letters of thanks to be sent to outgoing Members.

**6. Nominations under section 41 of the Local Government Act 1985**

Members received the Monitoring Officer's report and **agreed** that the lead Members for the four constituent councils would be:-

London Borough of Barking & Dagenham	Councillor Lynda Rice
London Borough of Havering	Councillor Steven Kelly
London Borough of Newham	Councillor Ian Corbett
London Borough of Redbridge	Councillor Baldesh Nijjar

## **7. External Audit Plan 2013/14**

Ciaran McLaughlin and Malcolm Farnan of the External Auditors, PricewaterhouseCoopers (Pwc) attended the meeting and presented commentary on the detail of the External Audit Plan 2013/14. The audit plan sets out Pwc's work plan for the next couple of months including responsibilities and key risks.

Mr McLaughlin informed Members that he had found a recent visit the Jenkins Lane Recycling Facility informative and useful particularly in connection with the valuation of materials at the recycling facilities. The Auditors will report back to the Authority on any major issues arising.

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

**Members noted and agreed** the report.

## **8. Internal Audit Progress Report 2013/14, Audit Plan 2014/15 and Planned Audit Coverage to March 2019**

The Finance Director presented his report and explained, for the benefit of the new members, that this report gave annual feedback on internal audit 2013/14 and coverage for 2014-19. The focus was mainly around contract monitoring and the report showed that ELWA had sound systems in place and core financial systems operated effectively. There were no fundamental breakdowns although there were one or two weak areas which had been highlighted and constructive comments provided. Reinforcement of this view had been provided by External Auditors. The 2014/15 audit would focus on contract monitoring and asset management mainly on the landfill sites.

The Chair asked about monitoring consistency and was advised that monitoring of the sites was now carried out based on constituent council preferences and priorities. Frizlands Lane had a high risk of accepting trade waste at weekends and was therefore being monitored by LBB enforcement officers at weekends, whereas Chigwell Road did not accept commercial waste at all and as such LBR officers focused more on contract compliance. There was a preference for LBN officer presence at the weighbridge at Jenkins Lane as the site was under utilised by the public. Since all sites differ in their usage, there was no "one size fits all" process.

Members enquired as to progress with the installation of Automatic Number Plate Recognition (ANPR) system links at the Reuse & Recycling Centres and were advised that this was expected within the next 6 months. Further details on ANPR were available elsewhere in the Agenda documents.

**Members noted and agreed** the report.

## **9. Contract Monitoring Review of the Year 2013/14 And Monitoring to 31 March 2014**

The Acting Managing Director presented the Contract Manager's report showing monitoring, outcomes and actions taken in connection with the Integrated Waste Management Services (IWMS) contract. Contract performance had achieved the required level of diversion from landfill albeit with slightly disappointing recycling performance. However, recycling performance was slightly above that of last year. The report indicated a good strong finish to the end of the contract year by achieving 73.8% diversion. A combination of population growth and increase in economic retail activity was considered to be the cause of the 1% increase in tonnages. Members received a short explanation of how national targets may need to be achieved and the risk of financial penalties if targets are not met.

The Acting Managing Director responded to questions about the contract generally, recycling performance by material type and garden waste processes. A suggestion was put forward by Members that residents might benefit from a further communications drive.

**Members noted** the report.

#### 10. Provisional Financial Outturn Position 2013/14

The Finance Director presented his report containing provisional outturn figures for the financial year 2013/14. The report contained detail of the Revenue Budget, Prudential Indicators and 2013/14 Financial Statements. Economies in the non contract waste income areas and diversion had more than offset the contract costs budget pressure. He advised that there was a favourable net under spend of £71,000 which would be taken into account in the next three year financial projections and budget strategy process.

**Members noted** the report.

#### 11. Budgetary Control to 30 April 2014

The Finance Director presented his regular revenue estimates and prudential indicators report showing an over spend for the one month period of £19,000. It was anticipated that at year end contractor and other costs would be in line with budget following close monitoring and Members were asked not to draw conclusions from this so early on in the year.

**Members noted** the report.

#### 12. Date of Next Meeting

Members noted the future meeting dates for 2014/15 as being 15 September (Annual Governance & Statement of Accounts), 24 November (Approval of the Annual Budget & Service Delivery Plan), 9 February 2015 (Levy) and 22 June 2015 (Annual General Meeting). These dates were governed by legal timetables and Members were asked to ensure that the Levy meeting on 15 February 2015 was quorate. An informal workshop is to be arranged between 14 July 2014 and 31 July 2014.

**Members noted** meeting dates.

#### 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. Briefing Papers for Members

The Acting Managing Director presented his briefing paper, written to provide new Members with sufficient background information and context and to encourage informed decisions required elsewhere on the agenda. The purpose also was to maintain the existing momentum of the savings agenda and maintain pressure on the Contractor to improve performance and lower costs.

**Members noted** the report.

#### 15. Contract Variations

The Acting Managing Director presented his confidential report and appendices on Contract Variations in connection with the Railhead operation, Frog Island RRC Mrf and Survival Bag supply and delivery. Following lengthy explanation, discussion and reassurance:

**Members agreed to delegate power** to the Acting Managing Director as specifically set out in the recommendations at paragraph 2.1 (a – d) of the report.

#### 16. Increased Diversion from Landfill Proposal

Members received the Acting Managing Director's confidential report and Appendices in connection with an increased diversion from landfill proposal. Members were provided with the option to enter into two relatively short term agreements to increase diversion from landfill and provide immediate financial benefits. Solid Recovered Fuel (SRF) & Refuse Derived Fuel

(RDF) markets are likely to change and this report gave Members the opportunity to replace the existing agreement with a better one.

**Members agreed to delegate power** to the Acting Managing Director as specifically set out in the recommendations at paragraph 2.1 (a – e) of the report.

#### **17. Contract Renegotiation**

The Acting Managing Director presented his confidential report and appendices submitted as a consequence of a variation to approvals already given by Members. Members have received commentary that as events developed Officers were unable to carry out the agreed recommendation. An explanation and the reasons behind the new approach to the securing of support were confirmed.

Members have considered and discussed the report and having received assurances from the Board and Legal Adviser/Monitoring Officer, Members agree that this move was a step in the right direction.

**Members therefore agreed to delegate power** to the Acting Managing Director as specifically set out in the recommendations at paragraph 2.1 (a) of the report.

#### **18. Other Confidential Business**

None.

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Minutes agreed as a true record.

Chair: .....

Date: .....

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**AUTHORITY REPORT: STATEMENT OF ACCOUNTS & AUDITOR'S REPORT  
2013/14**

**1. Confidential Report**

1.2 No

**2. Recommendations**

2.1 Approve the draft Statement of Accounts for the financial year 2013/14.

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**3. Introduction**

3.1 This report provides the Authority with a summary of the key issues arising from the audit of the financial statements. The External Auditors, PricewaterhouseCoopers (PwC) are completing their review and audit of the Accounts. It is expected that they will give an unqualified opinion and certificate of the Accounts.

3.2 At the time of writing this report, the audit of the draft Statement of Accounts and the ISA260 had not been finalised and therefore these will be circulated separately.

3.3 Following the recent fire a post balance sheet event note will need to be agreed with the auditors. Given the significant ramifications this may delay matters.

3.4 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 2013/14 financial statements are the fourth 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.

3.5 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 the 30<sup>th</sup> September.

**4. 2013/14 Accounts**

4.1 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 2014 but also includes the accrued savings in 2013/14 in respect of the Railhead termination.

**5. Auditors report**

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

**6. Conclusion**

6.1 Although the audit of ELWA's accounts will be completed by the statutory deadline of the 30th September detailed discussions need to take place with the auditors on the post balance sheet event note relating to the fire. There is expected to be an unqualified opinion.

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**7. Relevant Officer**

Geoff Pearce Director / e-mail: [finance@eastlondonwaste.gov.uk](mailto:finance@eastlondonwaste.gov.uk) / 020 8708 3588

**8. Appendices attached**

8.1 Statements to follow.

**9. Background Papers**

9.1 23 June 2014 – Financial Outturn Report for 2013/14.

**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. Follow-up Reports**

14.1 None

**15. Websites and e-mail links for further information.**

15.1 None

**16. Glossary**

ELWA / the Authority = East London Waste Authority

ISA = International Standard on Auditing

PwC = PricewaterhouseCoopers

**17. Approved by Management Board**

17.1 01 September 2014

**18. Confidentiality**

18.1 Not applicable



## AUTHORITY REPORT: TREASURY MANAGEMENT OUTTURN 2013/14

### 1. Confidential Report

1.1 No

### 2. Recommendations

2.1 To note this report.

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### 3. Introduction

3.1 The Treasury Management Strategy including borrowing and investment strategies is approved by Members on an annual basis. The 2013/14 Strategy was agreed in February 2013 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 2013/14 and covers all borrowing and investment activities undertaken during the last financial year.

### 4. Current Portfolio Position

#### External Borrowing

4.1 The external borrowing position is summarised below:

	31.03.14 £000's	Average Rate	31.03.13 £000's	Average Rate
Public Works Loans Board	1,250	10.02%	1,488	9.67%

4.2 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 Public Work Loans Board (PWLB) redemption rates, the cost of early repayment would be prohibitive.

#### Investments

4.3 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 your meeting in February 2013.

4.4 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.

- 4.5 The financial year 2013/14 continued to present challenging circumstances with regard to investments. An operational lending list focused on highly rated institutions remained in place throughout the year. All investment was carried out in accordance with the approved creditworthiness criteria.
- 4.6 In 2008, Heritable Bank went into administration owing ELWA £1 million. The total repayment received as at 31 March 2014 was £991,637. The Administration process is still continuing in its final stages.
- 4.7 The summary position for the Authority in terms of investments at 31 March 2014 is as follows: -

	31.03.13 £000's	31.03.14 £000's
Long Term	0	0
Short Term	20,459	17,693
<b>Total</b>	<b>20,459</b>	<b>17,693</b>

## 5. Borrowing Requirements/Capital Programme 2013/14

- 5.1 In February 2013 the Authority was advised that the estimated total borrowing at 31 March 2013 was £1,488,000 consisting of PWLB loans on a fixed rate basis and 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. The Authority was also advised that ELWA might need to make arrangements to finance capital expenditure in 2013/14 as a result of the ongoing review of landfill sites. Taking account of borrowing at 31 March 2013 it was recommended that a borrowing requirement of £400,000 was set for 2013/14.
- 5.2 In the event no capital expenditure was incurred in 2013/14, and no borrowing was undertaken.

## 6. Prudential Indicators

- 6.1 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.
- 6.2 In the Finance Director's report of February 2013, Prudential Indicators for 2013/14 were agreed.
- 6.3 Members are reminded that in the accounting treatment of the ELWA Private Finance Initiative (PFI) scheme there is a need for PFI assets and liabilities to be shown on the balance sheet and included in the Prudential Indicators.
- 6.4 Appendix A shows the performance against the indicators as advised to Members in December 2013.
- 6.5 All transactions have been carried out within the Prudential Indicator Limits.

## 7. Conclusion

7.1 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.

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## 8. Relevant Officer

Geoff Pearce Director / e-mail: [finance@eastlondonwaste.gov.uk](mailto:finance@eastlondonwaste.gov.uk) / 020 8708 3588

## 9. Appendices attached

9.1 Appendix A: Prudential Performance Indicators.

## 10. Background Papers

25 November 2013 Treasury Management Mid Year Strategy Review & Minute No. 2013/38.  
23 June 2014 Provisional Financial Outturn Report for 2013/14, Agenda Item 2014/10.

## 11. Legal Considerations.

11.1 None.

## 12. Financial Considerations

12.1 As outlined in this report.

## 13. Performance Management Considerations

13.1 None.

## 14. Risk Management Considerations

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

## 15. Follow-up Reports

15.1 Half yearly monitoring in 2014/15.

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

16.1 ELWA: [http://www.recycleforyourcommunity.com/waste\\_authority/meetings/default.aspx](http://www.recycleforyourcommunity.com/waste_authority/meetings/default.aspx)

## 17. Glossary

CIPFA = Chartered Institute of Public Finance and Accountancy  
ELWA / the Authority = East London Waste Authority  
PFI = Private Finance Initiative  
PWLB = Public Works Loans Board

## 18. Approved by Management Board

18.1 01 September 2014.

## 19. Confidentiality

19.1 Not applicable.

**TREASURY MANAGEMENT PRUDENTIAL INDICATORS - 2013/14 OUTTURN**

<i>Authorised Limit for External Debt</i>	<b>Limit 2013/14 £'000</b>	<b>Actual 2013/14 £'000</b>
Borrowing	17,000	1,250
Other Long Term Liabilities	96,000	87,920
<b>TOTAL</b>	<b>113,000</b>	<b>89,170</b>

<i>Operational Boundary for External Debt</i>	<b>Limit 2013/14 £'000</b>	<b>Actual 2013/14 £'000</b>
Borrowing	15,000	1,250
Other Long Term Liabilities	96,000	87,920
<b>TOTAL</b>	<b>111,000</b>	<b>89,170</b>

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>	<b>Limit 2013/14 £m</b>	<b>Actual 2013/14 £m</b>
Fixed Rate	7.7	1.3
Variable Rate	(28.0)	(17.7)

<i>Projected borrowing at fixed rates maturing in each period as percentage of total projected borrowing at fixed rates</i>			
	<b>2013/14 Upper Limit</b>	<b>2013/14 Lower Limit</b>	<b>2013/14 Actual</b>
Under 12 months	35%	0%	2%
12 months and within 24 months	45%	0%	0%
24 months and within 5 years	60%	0%	0%
5 years and within 10 years	80%	0%	35%
10 and within 20 years	100%	0%	63%
20 years and within 35 years	100%	0%	0%
35 years to 50 years	100%	0%	0%

<i>Upper Limit for Total Principal sums invested for more than 364 days</i>	<b>Limit 2013/14 £m</b>	<b>Actual 2013/14 £m</b>
<b>Total</b>	<b>2.0</b>	<b>0.0</b>

**AUTHORITY REPORT: BUDGETARY CONTROL TO 31 JULY 2014**

**1. Confidential Report**

1.1 No.

**2. Recommendation:**

2.1 To note this report.

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**3. Purpose**

3.1 This budgetary control report compares ELWA's actual expenditure for the period ended 31 July 2014 with the original revenue budget approved in February 2014. 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 Members will be aware of the recent serious fire at Frog Island. Paragraph 4 details the projected underlying revenue position on the assumption that losses to the Authority resulting from the fire are in the main reimbursed through the insurance claim. Paragraph 5 details the potential financial risks.

**4. Background**

Revenue Estimates

4.1 Based on the profiled budget of £20,130,000 and the actual net expenditure on services of £20,141,000 the position is a net overspend of £11,000 to date. (See Appendix A.)

4.2 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 2014/15 Budget and Levy setting process has assumed 429,000 tonnes in 2014/15. ELWA technical officers advise that projected tonnage levels will be between 432,000 and 440,000 tonnes. Therefore for the purposes of this report a year end tonnage at the mid-point of 436,000 tonnes has been assumed. Officers will need to continue to monitor trends to determine possible increases in tonnages per household as well as demographic trends.

4.3 The diversion from landfill rate assumed in the 2014/15 Budget is 75%. Any improvement in the diversion rate has a favourable impact on the Budget position as the diversion supplements paid to the Operator are less than the landfill tax that would have been paid if the waste had been landfilled. The Acting Managing Director advises that the actual July 2014 figure was a 76.2% (cumulative 77.6% for the year) diversion performance compared to the budgeted 75% and consequently there is a current net budget benefit.

4.4 Employee and other non-contract costs are projected to be in line with budget at year end.

4.5 Based on ELWA technical officer advice commercial waste income is projected to be in line with the Budget at year end.

4.6 Members are reminded that underpinning the 2014/15 Budget and Levy is an efficiency savings target of £500,000. It is projected that the savings target will have been met by the end of the financial year.

4.7 The pressure on the levy and the reserves over the next few years has been previously reported. The loss of operational capacity resulting from the Frog Island Mechanical Biological Treatment (Frog Island MBT) facility fire could contribute to the pressure although it is anticipated that this will be covered by insurance.

**5. Impact of the Fire at Frog Island**

- 5.1 There is a detailed report on the fire at the Frog Island MBT facility elsewhere on the agenda. The paragraphs below deal with the financial impact as it affects the 2014/15 position and this will be the financial loss to the Authority both in respect of the asset itself but also the impact on the Authority's operations in 2014/15.
- 5.2 The fire has particularly affected the refinement section with a loss of all conveyors and most of the attached machines. The building is to be assessed for damage and the rest of the plant and site will need cleaning. Replacement plant may have to come from Ecodeco in Italy.
- 5.3 Operational plans are in place with waste being redirected to other sites. It could be 12 months before the facility is fully operating again.
- 5.4 The Insurers have appointed Crawford & Co. as loss adjuster and the Authority is waiting for notification of who will be appointed to carry out any possible machinery restoration. The claim will be substantial but any policy deductible excess is covered by the waste management contract and will not be incurred by the Authority. The value of the loss of business will also be claimed from the insurers.
- 5.5 The next insurance renewal date is December 2014 and some changes in premiums or terms must be expected.
- 5.6 Additionally, the waste that has been burnt in the fire will have to go to landfill. This means that the Authority will incur landfill tax on tonnage that otherwise would have been diverted.
- 5.7 Finally it is anticipated that there will be no further royalty income for the remainder of the financial year. Again this will be claimed against insurance.

**6. Prudential indicators**

- 6.1 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.

**7. Conclusion**

- 7.1 Net of any additional fire related costs, the current projections indicate a £198,000 overspend at year end due to higher than budgeted contract payments.
- 7.2 The recent fire will lead to increased costs through reduced diversion and the cessation of royalty payments. Such losses will be included in the insurance claim.

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**8. Relevant officer:**

Geoff Pearce, Finance Director / e-mail: [finance@eastlondonwaste.gov.uk](mailto:finance@eastlondonwaste.gov.uk) / 020 8708 3588

**9. Appendices attached:**

Appendix A: Budget Monitoring Statement to 31 July 2014.

**10. Background papers:**

10 February 2014 - Revenue & Capital Estimates and Levy 2014/15 Report & Minute No/2014.

**11. Legal considerations:**

11.1 None.

**12. Financial considerations:**

12.1 As outlined in the report.

**13. Performance management considerations:**

13.1 The financial position and projections should reflect service performance trends.

**14. Risk management considerations:**

14.1 The projected position depends on the performance of the contractor, tonnage levels and the success in achieving budgeted diversion levels. The impact of the fire will be significant unless mitigated by insurance.

**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/meetings/default.aspx](http://www.recycleforyourcommunity.com/waste_authority/meetings/default.aspx)

**17. Glossary:**

Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham & Redbridge

ELWA = East London Waste Authority

Operator = Shanks east.london

**18. Approved by management board**

18.1 1 September 2014

**19. Confidentiality:**

19.1 Not Applicable.

**BUDGET MONITORING STATEMENT TO 31 JULY 2014**

	<b>Original Budget 2014/15</b>	<b>Profiled Budget to 31.07.14</b>	<b>Total Actual to 31.07.14</b>	<b>Variance to 31.07.14</b>	<b>Projected Outturn to 31.07.14</b>	<b>Outturn Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>EXPENDITURE</b>						
<i>Employee and Support Services</i>	371	112	112	0	371	0
<i>Premises Related Expenditure</i>	149	57	56	(1)	147	(2)
<i>Transport Related Expenditure</i>	5	1	1	0	5	0
<i>Supplies and Services</i>						
Payments to Shanks.east.london	58,075	20,567	20,613	46	58,275	200
Other (inc. cost of Support Costs)	464	69	69	0	464	0
<i>Third Party Payments</i>						
Recycling Initiatives	1,980	649	641	(8)	1,980	0
Tonne Mileage	500	125	125	0	500	0
Rent payable - property leases	317	129	129	0	317	0
<i>Capital Financing Costs</i>	186	16	16	0	186	0
<b>TOTAL GROSS EXPENDITURE</b>	<b>62,047</b>	<b>21,725</b>	<b>21,762</b>	<b>37</b>	<b>62,245</b>	<b>198</b>
<b>INCOME</b>						
Commercial Waste Charges	(2,900)	(725)	(725)	0	(2,900)	0
Interest receivable	(50)	(17)	(20)	(3)	(50)	0
Other income	(2,282)	(687)	(710)	(23)	(2,282)	0
Efficiency savings	(500)	(166)	(166)	0	(500)	0
<b>TOTAL INCOME</b>	<b>(5,732)</b>	<b>(1,595)</b>	<b>(1,621)</b>	<b>(26)</b>	<b>(5,732)</b>	<b>0</b>
Contingency Allocated	150	0	0	0	150	0
<b>NET EXPENDITURE ON SERVICES</b>	<b>56,465</b>	<b>20,130</b>	<b>20,141</b>	<b>11</b>	<b>56,663</b>	<b>198</b>
Previous years net underspend	(1,000)	(333)	(333)	0	(1,000)	0
PFI Grant Receivable	(3,991)	(998)	(998)	0	(3,991)	0
Transfer to PFI Contract Reserve	3,991	998	998	0	3,991	0
Levy Receivable	(48,060)	(12,015)	(12,015)	0	(48,060)	0
Transfer from PFI Contract Reserve	(5,935)	(1,978)	(1,978)	0	(5,935)	0
Contribution from reserves	(1,470)	(490)	(490)	0	(1,470)	0
<b>NET</b>	<b>0</b>	<b>5,314</b>	<b>5,325</b>	<b>11</b>	<b>198</b>	<b>198</b>



**AUTHORITY REPORT: CONTRACT MONITORING REVIEW TO 31 JULY 2014**

**1. Confidential Report**

1.1 No

**2. Recommendation:**

2.1 Members are asked to note this report.

**3. Purpose**

3.1 To provide an update on the monitoring, outcomes and actions taken with regards to the management of the Integrated Waste Management Services (IWMS) contract for the period to July 2014.

**4. Contract Performance to July 2014 (four Months)**

4.1 Contract waste tonnage to July 2014 was 158,900 tonnes which was 1.4% (2,300t) above forecast and an increase of 4,750 tonnes over the same period last year. This tends to confirm the year on year increase in tonnage described in the last (year end) report.

Key Waste Types Year to date [Tonnes]	13-14	14-15	Change
Delivered Dry Recyclate	19,452	19,172	-1%
Delivered Green material	10,058	10,687	6%
Delivered Household [excluding above & Estimated Trade]	76,797	80,935	5%
Delivered Other Waste	15,109	15,819	5%
Trade (Estimated) Collected with Domestic	4,268	4,811	13%
Trade/ Municipal Weighed Separately	2,814	2,291	-19%
<b>Sub Total</b>	<b>128,499</b>	<b>133,715</b>	<b>4%</b>
RRC Green Material	4,050	3,940	-3%
RRC Recyclate (Excl Green Material)	6,643	6,849	3%
RRC Residual	14,951	14,395	-4%
RRC Total	25,644	25,185	-2%
<b>TOTAL</b>	<b>154,143</b>	<b>158,900</b>	<b>3%</b>

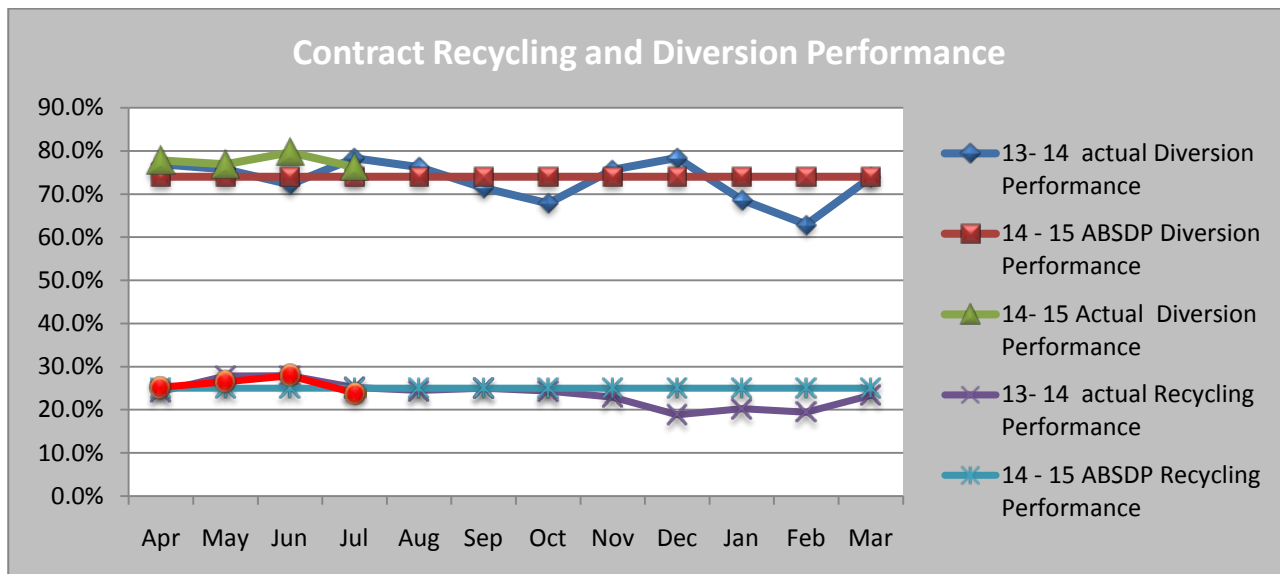
4.2 Recycling performance for July was 26%, slightly over budget (25%) but on expectation, given the continuing contamination issues.

4.3 Members have consistently given officers direction that increased diversion from landfill is a priority in order to avoid the increased landfill tax liability. Officers have taken this direction and have engaged proactively with the contractor to drive this performance up.

4.4 As a result of this increased focus, the year to date diversion performance is 78%; this is an improvement against the same period last year and slightly above the anticipated figure in the Annual Budget & Service Delivery Plan (ABSDP) of 74.6%.

4.5 This was our best sustained period of performance. This strong performance, however, was only slightly able to mitigate the budget pressure as a result of increased tonnage delivered into the contract. (Financial details are shown in the Finance Director's Budget Control report).

4.6 The graph below summarises the recycling and diversion performance with a comparison to ABSDP and previous year.



4.7 The table below provides an overview of the National Indicator (NI) recycling performance to July 2014. However these figures are subject to ratification by Defra.

Constituent Council	% Recycling Performance
Barking & Dagenham	26.5%
Havering	36.3%
Newham	15.7%
Redbridge	31.3%

## 5. Conclusion

- 5.1 Notwithstanding the events in August and its undoubted effect on performance going forward, the contract performance to July was showing very encouraging signs.
- 5.2 The overall contract tonnage delivered into the contract was higher than that budgeted for, which we consider to be a combination of population growth and the increase in economic activity in the retail environment. Taking a longer term view the predicted increase in tonnage (1.5% pa) is in line with housing and population growth. These factors will continue to provide budget pressures going forward.

## 6. Relevant officer:

Dave Hawes, Contract Manager / e-mail: dave.hawes@eastlondonwaste.gov.uk / 020 8724 5045.

## 7. Appendices attached:

7.1 None.

## 8. Background Papers:

8.1 None.

## 9. Legal Considerations:

9.1 The Legal Adviser has been consulted in the preparation of this report and confirms there are no legal implications to highlight.

**10. Financial Considerations:**

10.1 Tonnage levels and landfill tax liabilities continue to be the main drivers of cost within the IWMS contract. The increased tonnage which has led to financial pressure has during this period been partially offset by an increase in diversion performance.

10.2 The recent fire and its potential financial effect are covered elsewhere on the agenda.

**11. Performance management considerations:**

11.1 None.

**12. Risk management considerations:**

12.1 None.

**13. Equalities considerations:**

13.1 The equalities impact assessment identified no matters of concern.

**14. Follow-up reports:**

14.1 None.

**15. Websites and e-mail links for further information:**

15.1 None.

**16. Glossary**

ABSDP = Annual Budget & Service Delivery Plan

ELWA / the Authority= East London Waste Authority

Constituent Councils = London Boroughs of Barking & Dagenham. Havering, Newham & Redbridge

IWMS = Integrated Waste Management Services

NI192 = National Indicator (Household Waste Recycled or Composted)

RRC = Reuse & Recycling Centre(s)

**17. Approved by management board:**

17.1 01 September 2014.

**18. Confidentiality:**

18.1 Not applicable.

**By virtue of paragraph(s) 3 of Part 1, Schedule 12A of the Local Government Act 1972 and paragraphs 1, 3, 4 and 8 respectively of part 1 of Schedule 12A of the Local Government Act 1972 (as amended)**

THE FOLLOWING DOCUMENTS ARE RESTRICTED

Agenda Items 11, 12, 13 & 14