

NOTICE OF MEETING

Monday, 19 November 2018
Committee Room 2, Ilford Town Hall, 128-142 High Road, Ilford, IG1 1DD

Members

Councillor Osman Dervish (Chair), Councillor James Asser (Vice Chair), Councillor Dorothy Akwaboah, Councillor Sheila Bain, Councillor Robert Benham, Councillor Syed Ghani, Councillor John Howard and Councillor Rachel Tripp.

Issued by:

Andrew Lappage
Managing Director

09 November 2018

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AGENDA

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| For Information: | 1. | Apologies for absence. |
| For Information: | 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. |
| For Decision: | 3. | Minutes – To agree Part 1 (Public Items) of the minutes of the Authority's Meeting held 17 September 2018 and authorise the Chair to sign the same. (pages 1 - 4) |
| For Information: | 4. | Treasury Management Mid-Year Strategy Review 2018/19. (pages 5 - 18) |
| For Information: | 5. | Budget Control and Contract Monitoring to 30 September 2018 (pages 19 - 30) |
| For Information: | 6. | Medium Term Financial Strategy 2019/20 to 2023/24 (pages 31 - 44) |
| For Decision: | 7. | Programme of Meetings 2019 -2020. (pages 45 - 48) |
| For Decision: | 8. | Constitution Review (pages 49 - 54) |
| For Information: | 9. | Date of next meeting: Monday 04 February 2019

Members are asked to note the date of the next Authority meeting and that it will be held at the Town Hall, Barking. |
| For Information: | 10. | Any other public items which the Chair decides are urgent. |

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| For Decision | 11. 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. |
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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 Part I of Schedule 12A of the Local Government Act 1972 (as amended).

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| For Decision: | 12. Minutes – To agree Part 2 (Restricted Items) of the minutes of the Authority's Meeting held 17 September 2018 and authorise the Chair to sign the same. (pages 55 - 56) |
| For Information | 13. ELWA Limited Update (pages 57 - 60) |
| For Decision | 14. IWMS Contract – Insurance Renewal & Contract Developments & Efficiencies (pages 61 - 70) |
| For Information | Any other confidential or exempt items which the Chair decides are urgent. |

**AUTHORITY MINUTES – MONDAY 17 SEPTEMBER 2018 - PART 1 PUBLIC ITEMS:
(9.32 AM–10.15 AM)**

Present:

Councillor O Dervish (Chair), Councillor J Asser (Vice Chair), Councillor D Akwaboah, Councillor S Bain, Councillor R Benham, Councillor S Ghani, Councillor J Howard and Councillor R Tripp.

Introductions were received.

1. Apologies for Absence

There were none received.

2. Declaration of Members' Interests

There were none declared. However, the Chair added that would declare an interest later during the meeting when addressing confidential Agenda Item 12 to be presented under Supplementary Item 1.

3. Minutes of previous meeting (29 June 2018)

Members confirmed as true and accurate the minutes of the Annual General Meeting held on 29 June 2018. The Chair was authorised to sign the same.

4. Annual Audit Letter 2017/18:

Members received the Finance Director's report presenting the External Auditor's Annual Audit Letter 2017/18 which summarised the results of the external audit work undertaken on the 2017/18 accounts. The Auditor's letter confirmed the unqualified opinion issued, fees and that good financial controls were in place and confirmed value for money at the Authority.

Members were also advised that Ernst & Young would be the Authority's External Auditors next year.

Members noted the report.

5. Treasury Management Outturn 2017/18

Members received the Finance Director's report on the outcome of Treasury Management Outturn which covered borrowing and investment activities undertaken during the year to end March 2018. The report set out details of the economy and interest rates, investments (£14.762m), historic borrowing (£1.250m), new external borrowing requirements (£0), reserves to fund capital expenditure (£0.100m), capital expenditure 2017/18 (£0) and Appendix A showed performance against the prudential indicators and confirmed the PFI finance balance of £67.766m which was within the external debt limit.

The Finance Director advised that interest rates had gone up and that there were uncertainties regarding Brexit. She drew Members' attention to the investment matters as listed in paragraphs 4.5 to 4.9. She advised that in preparation for the procurement strategy, investments were increased from £8.313m in 2017 to £14.762m in 2018. She explained that there had been no change in borrowing and provided an explanation to Members as to why early redemption of the Public Works Loans Board borrowing had not been pursued.

Members noted the report and that the Authority had managed its treasury management arrangements in accordance with the strategy, kept within its prudential indicators and all investment was carried out in accordance with the approved creditworthiness criteria.

6. Budget Control & Contract Monitoring to 31 July 2018

Members received the regular joint report prepared by the Managing Director and Finance Director for the period to the end of July, together with the budget monitoring statement to 31 July 2018 and tonnage profile. Actual expenditure for the period was compared with the original revenue budget approved in February 2018, based on information provided by Renewi UK Services Ltd (the Operator), the four Constituent Councils' Officers and the Authority's own information.

The Managing Director reported that tonnages were not quite as profiled (3% below) and mixed dry recycling had also dropped. An underspend to date of £0.817m was shown. The overall forecast outturn is projected to be £0.699m under budget at year end because of lower tonnages and additional commercial waste income attributed in part to LB Barking & Dagenham's Housing Service.

It was noted that dry weather conditions appeared to have impacted green waste recycling and especially the tonnage generated by the two Constituent Councils with the highest output.

Members were advised that a fire at Mid UK (where much of the mixed dry recycling is treated) had affected Renewi's processing and that Renewi had diverted ELWA's recycling to an alternative Materials Recycling Facility at Chatham Docks. Members were pleased to learn that no injuries were reported as a result of the fire.

Members noted the report.

7. Preparations for Future Wastes Management Arrangements - Update

Members received the Managing Director's report and commentary on work undertaken since June in respect of an East London Joint Waste Resources & Wastes Strategy (ELJRWS) to inform the development of local waste services following the end of the Integrated Waste Management Services Contract, and the East London Joint Waste Development Plan (JWDP) document by the four local planning authorities (LPAs) to put in place land use planning policy for all wastes arising in the area (not just local authority collected wastes).

The Managing Director reported on engagement with the Constituent Councils to shape the documentation and future model of the ELJRWS with the Directors of Environment. In addition, he noted that planning officers were developing a programme of planning proposals for the four councils to work on in parallel that could be taken to their Cabinets for the development of a new JWDP in support of their local plans as well as the London Plan. He advised that the JWDP may be for a period of 15 years from 2021, but the ELJRWS was envisaged to look forward to 2057 (25 years for the next contract starting from 2027, allowing for a 5 year extension). ELWA officers would work with the LPA officers wherever appropriate and beneficial.

One Member enquired if it would make a difference whether there were less than four Councils delivering waste to the Authority. The Managing Director confirmed that he was not aware of any legislative changes that allowed for the separation of a Constituent Council from the Authority. He advised Members that this was not a voluntary partnership and that the legislation that created ELWA on the abolition of the GLC continued to bind all the Constituent Councils with the Authority.

The new Head of Strategy & Development would take the above two principal issues forward engaging consultants to assist with detailed modelling of waste arisings during the ELJRWS period and optimum reuse & recycling arrangements, as well as leading on the interface with the local planning authorities on the JWDP.

Members noted the report.

8. Date of Next Meeting:

Members noted the date of 19 November 2018 as the date of the next Authority meeting which would be held at the offices of London Borough of Redbridge, Town Hall, Ilford.

It was noted that the current location (Stratford Workplace) would be one of those suitable for future meetings.

9. Any other public items

Members received an update from the Managing Director on progress with the advertised Head of Strategy & Development recruitment process.

10. 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).

11. ELWA Limited Update

Members received commentary from the Managing Director who advised that previously Members had been sent a copy of the full confidential ELWA Ltd Agenda pack but it appeared to him that this was not particularly helpful and an update on the key issues was preferable. Councillor Akwaboah, the ELWA Ltd 'A' Director attended these meetings, along with the Managing Director in the capacity of an observer.

A brief overview of the issues was provided. These included the risk register and overseas recyclables destination and the adoption of a new contingency plan risk. ELWA Ltd was working with Renewi on ensuring the long-term trading agreement for landfill would be available in practice.

Renewi has invited the four Constituent Councils' Mayors to visit Frog Island in November for a brief presentation on how recycling and waste is managed in practice in East London in the hope that they will become waste ambassadors in the future. It was hoped that all four would attend.

12. ELWA's Direction of Havering's Green Garden Waste

The late report was accepted.

Members considered the report and agreed to seek further external advice and ask officers to report back on options.

Minutes agreed as a true record.

Chair:

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Date:

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**AUTHORITY REPORT: TREASURY MANAGEMENT MID YEAR STRATEGY
REVIEW 2018/19**

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 Members are asked to note the report.

3. Introduction

3.1 The Treasury Management Strategy including borrowing and investment strategies is approved by Members on an annual basis. The current Strategy was agreed in February 2018 and this report details the progress against the strategy in the first six months of this financial year.

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 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.

3.4 The Code recommends that Authorities produce a mid-year report detailing Treasury Management operational activity for the first half of the year which would include Treasury Management indicators, and variations from agreed policies.

3.5 This report provides Members with a summary review of activity in the first half of 2018/19 and covers all borrowing and investment activities undertaken during this period.

3.6 As reported previously the Markets in Financial Instruments Directive ("MiFID II) came into force on 3 January 2018. In accordance with Members agreement, applications for elective professional client status were sent out and accepted by relevant institutions. This allowed the Authority to continue with the effective implementation of its investment strategy.

4. Investments Strategy

4.1 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 Authority meeting in February 2018.

- 4.2 The main objective of the Investment Strategy is to ensure the security of the 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 (Appendix A) which must be strictly adhered to when making investment decisions.

5. Current Portfolio Position

Economic Background

- 5.1 The overall risk to economic growth in the UK is currently balanced. UK Economic growth performed modestly in the first half of 2018/19 and is forecast to increase slightly from 1.5% in 2018 to 1.8% in 2019. There have been concerns relating to the summer's inflation increases (CPI 2.4% in June to 2.7% in August) and inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. However, inflation is expected to fall back to the 2% target over the next two years given a scenario of minimal increases in Bank Rate. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

Investments

- 5.2 The Authority will continue with its prudent approach to investments, prioritising security of the Authority's money over yield but seeking to maximise return as markets improve.
- 5.3 As the Authority by commercial standards has modest funds to lend out (£15m to £20m on average), gross returns will be limited.
- 5.4 The Authority maintains liquidity through the use of overnight deposits with high credit quality Money Market Funds. In order to maintain flexibility in an environment where investment opportunities are limited, the lending list is reviewed regularly. From the 2 November the Bank of England base rate has been 0.50%. This was increased by the Bank of England to 0.75% on the 2 August 2018. These increased rates have resulted in improved overnight and short-term interest rates.
- 5.5 The summary position for the Authority in terms of investments at 30 September 2018 is as follows:

Type of Investment	30/09/18 £m	31/03/18 £m
Short Term	23.040	14.750
Deposit Account	0.010	0.028
Total	23.050	14.778

External Borrowing

6.1 The summary position for the Authority in terms of external borrowing at 30 September 2018 is as follows:

	30/09/18 £m	Average Rate	31/03/18 £m	Average Rate
Public Works Loans Board	1.250	10.0%	1.250	10.0%

6.2 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 would incur a large premium.

6.3 A detailed analysis is provided in Appendix B.

7. External Borrowing Requirements

7.1 In February 2018 the Authority was advised that the estimated total borrowing at 31 March 2018 was £1.250m 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 in certain circumstances need to make arrangements to finance capital expenditure in 2018/19 as a result of the ongoing review of landfill sites. Therefore taking account of borrowing at 31 March 2018 and on grounds of prudence it was recommended that an additional borrowing requirement of £0.400m was set for 2018/19 to be used if needed.

7.2 No additional borrowing has been required to date.

7.3 As at September 2018 the Authority's treasury advisor, Link Asset Services revised their 2018/19 forecast for PWLB rates to 2.0% for a 5 year loan and 2.8% for 25 year loan. Link's Bank Rate forecasts will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year.

8. Reserves available to fund Capital Expenditure

8.1 There is currently £0.100m balance on the Revenue Contribution to Capital Outlay Reserve (RCCO).

9. Capital Expenditure first half of 2018/19

9.1 There has been no capital expenditure.

10. Minimum Revenue Provision

10.1 The Authority has a statutory requirement to repay an element of accumulated capital expenditure each year through a revenue charge known as the Minimum Revenue Provision (MRP). Each year the Authority is required to prepare and approve a Minimum Revenue Provision Policy Statement setting out its repayment basis. The revenue provision to repay capital expenditure debt in 2018/19 is £0.054m and has been calculated in accordance with the policy statement.

10.2 MRP related to Assets financed under the Private Finance Initiative (PFI) is contained within the existing revenue charge. Mitigating regulations allow this

for those PFI assets brought on balance sheet due to accounting changes resulting from the requirement to report in accordance with International Financial Reporting Standards.

11. Prudential Code and Treasury Code Revision

- 11.1 Members are advised that the Prudential Code and Treasury Code have been subject to consultation and revision.
- 11.2 The updated Prudential code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (Treasury Management Code) were issued in December 2017.
- 11.3 Both these codes were effective for the 2018/19 financial year. However, it was recognised that the requirement included in the Prudential Code to produce a Capital Strategy may require a longer lead-in period. Therefore, the Treasury and Capital Management Panel recognised that this requirement may not be able to be fully implemented until 2019/20 financial year.
- 11.4 The amendments to the Codes do not currently impact on the Authority and will be addressed in the Treasury Management Strategy 2019/20.

12. Prudential Indicators

- 12.1 The Authority is obliged 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.
- 12.2 The Prudential Indicators for 2018/19 were agreed by the Authority at the meeting on the 6 February 2018. These are presented at Appendix C to the report.

13. Conclusion

- 13.1 The Authority's Treasury Management Strategy continues to provide a sound basis for undertaking treasury activities. Borrowing requirements will be monitored closely and financing arranged in accordance with the borrowing strategy. Investments will be managed having regard to the Authority's investment strategy and creditworthiness criteria. Opportunities to lengthen the period of investments with high quality counterparties will be considered to lock in additional value. The Authority's treasury activities remain within the limits of all Treasury Prudential Indicators as set by the Authority.

14. Relevant officer:

- 14.1 Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3010

15. Appendices attached:

- 15.1 Appendix A – Creditworthiness.

- 15.2 Appendix B – External Borrowing.
- 15.3 Appendix C – Prudential Performance Indicators – 2018/19 half yearly position.
- 16. Background Papers:**
- 16.1 05/02/18 Treasury Management Strategy 2018/19 and Prudential Code Indicators 2018/19 to 2020/21.
- 17. Legal Considerations:**
- 17.1 The legal and constitutional requirements in relation to the Authority's Treasury Management Strategy are set out in the body of this report and as this is an information report the Legal Advisor has no further legal comment to add.
- 18. Financial Considerations:**
- 18.1 As outlined in this report.
- 19. Performance Management Considerations:**
- 19.1 Treasury management operational activity is monitored and reported to Members half yearly.
- 20. Risk Management Considerations:**
- 20.1 Main objective of the investment strategy is the security of investments.
- 21. Equalities considerations:**
- 21.1 There are no specific equality implications arising from this report
- 22. Previous Reports:**
- 22.1 05/02/18 Treasury Management Strategy 2018/19 and Prudential Code Indicators 2018/19 to 2020/21 and Minute No. 46/2016.
- 22.2 29/06/18 Statement of Accounts 2017/18 and Minute No. 25/2017
- 23. Follow-up Reports:**
- 23.1 04/02/19 Treasury Management Strategy 2019/20.
- 24. Websites and e-mail links for further information:**
- 24.1 <http://www.eastlondonwaste.gov.uk>
- 25. Glossary:**

CIPFA = Chartered Institute of Public Finance and Accountancy

ELWA/the Authority= East London Waste Authority

EU = European Union

GDP = Gross Domestic Product,

MiFID II -= Markets in Financial Instruments Directive

MRP = Minimum Revenue Provision

PWLB = Public Works Loan Board

CPI = The Consumer Price Index

MPC = Monetary Policy Committee

26. Reviewed by Management Board:

26.1 05 November 2018

27. Confidentiality:

27.1 Not applicable

CREDITWORTHINESS

(Extract from Treasury Management Practices)

The Authority is required to invest prudently and demonstrate that priority is given to security and liquidity before yield. Creditworthiness covers: -

- a) Credit quality for selecting counterparties.
- b) Credit ratings for institutions and country.

1. Credit Quality

- 1.1 The criteria for providing a pool of high quality investment counterparties for both Specified and Non Specified investments is as follows:

Banks with a Good Credit Quality

- a) UK banks
- b) Non UK banks domiciled in a country, which has a minimum Sovereign long term rating of AA-.
- c) Meet the requirements of the short term and or long-term credit matrices set out in 2 below.

UK Part Nationalised Banks

Royal Bank of Scotland Group whilst it continues to be part nationalised, or meets the requirements of the credit matrices.

The Authority's banker

National Westminster Bank (NWB), for transactional purposes. NWB is a subsidiary of the Royal Bank of Scotland. For investment purposes investments can be made with NWB and the Royal Bank of Scotland (RBS). RBS is a part nationalised bank. If this were to cease and the ratings of RBS did not meet the creditworthiness criteria then cash balances would be minimised in both monetary size and time.

Bank Subsidiary and Treasury Operations

The Authority will use these where the parent bank has the necessary ratings outlined above.

Building Societies

The Authority will use Building Societies that:

- a) Meet the requirements of the short term and or long term credit matrices set out in 2 below; or
- b) Have assets in excess of three billion pounds.

AAA rated Money Market Funds

UK Government (including the Debt Management Account Deposit Facility)

Enhanced Cash Funds

Local Authorities (including GLA, Police and Fire Authorities)

Non UK Government

Supranational Institutions

Corporate Bonds.

2. Credit Criteria

- 2.1 The Authority adopts a range of credit rating criteria. Creditworthiness is based on the credit ratings supplied by Fitch, Moody's, and Standard & Poor.

Short Term Credit Matrix

For short term lending (less than one year) the following minimum credit criteria for Banks and Rated Building Societies will apply:

	Fitch	Fitch	Moody's	Moody's	S&P's	S&P's
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Long term credit	AAA	A-	Aaa	A3	AAA	A-
Short term credit	F1+	F1	P-1	P-1	A-1	A-1

Long Term Credit Matrix

For Long Term lending (more than one year), the following minimum credit criteria will apply:

	Fitch	Fitch	Moody's	Moody's	S&P's	S&P's
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Long term credit	AAA	A	Aaa	A2	AAA	A-
Short term credit	F1+	F1	P-1	P-1	A-1	A-1

Long Term – relates to long term credit quality / Short Term – relates to short term credit quality.

Monitoring of Investment Counterparties

The credit rating of counterparties is monitored regularly. The Authority receives credit rating information (changes, rating watches and outlooks) from Link Asset Services as and when ratings change and counterparties are checked promptly. Any counterparty failing to meet the criteria is removed from the list immediately.

Use of additional information other than credit ratings

The Code of Practice requires the Authority to supplement credit rating information. The above criteria relates primarily to the application of credit ratings, however additional operational market information such as negative ratings watches / outlooks and financial press information must be considered before any specific investment decisions can be made. In addition, movement in credit default swap prices can provide an indication of credit risk, as can the rate of interest being offered if it is out of line with the market.

Country Sovereignty Considerations

Due care will be taken to consider the country, group and exposure of the Authority's investments, no more than 35% of the total investment portfolio will be placed with non UK countries at any one time.

For countries other than the UK, sovereignty ratings must fall within the ratings matrix below, before the country can be considered for inclusion on the lending list and then each individual institution domiciled to that country must meet the high credit quality criteria as detailed, and the credit matrixes.

	Fitch	Fitch	Moody's	Moody's	S&P's	S&P's
	Highest	Lowest	Highest	Lowest	Highest	Lowest
Sovereign ratings	AAA	AA-	Aaa	Aa3	AAA	AA-

A Fitch rating of 'AAA' denotes the highest credit rating quality with the lowest expectation of default risk. The lowest rating 'C' denotes that default is imminent and a rating of 'D' denotes that the issuer is currently in default.

Time and Monetary Limits applying to Investments

Credit Rated Institutions							
Minimum Credit Rating Short Term			Minimum Credit Rating Long Term			Limit	Time Limit
Fitch	S & P	Moody's	Fitch	S & P	Moody's	£m	Years
F1	A-1	P-1	A	A	A2	5	1
F1	A-1	P-1	A-	A-	A3	3	1
F1	A-1	P-1	AA-	AA-	Aa3	3	2
F1	A-1	P-1	A+	A+	A1	2	2
F1	A-1	P-1	A	A	A2	1	2
Other Institutions							
Money Market Funds			AAAmf			3	1 Year
Unrated Building Societies			Assets greater £3bn			3	6 Months
Enhanced Cash Funds			AAA/V1			3	2 Years

Other			
UK Government – DMADF		30	2 Years
UK Government - Bonds		30	2 Years
UK Government – Part Nationalised Banks	Per group	5	2 Year
Local Authorities		5	2 Years

Sovereign Ratings				
Non-UK Government - Bonds		AA-	3	1 Year
Supranational Bonds		AA-	3	1 Year

The creditworthiness criteria detailed above provides a sound approach to investment in "normal" market circumstances. However, under exceptional market conditions institutions can face real and sudden difficulties with a time lag before the credit rating agencies reflect this. Therefore, the Authority will maintain a strategy of responding swiftly and the Finance Director will restrict further investment activity to those counterparties that are at any one time considered to be of the highest credit quality. Security of the Authority's money always remains the main priority and this strategy will take precedence over yield.

EXTERNAL BORROWING

1. PWLB LOAN

Period	Maturity Date	Amount £m	Interest Rate
Long Term Borrowing			
2 - 5 Years			
	28/03/2021	0.230	8.5%
	28/03/2021	0.220	8.6%
Sub-total		0.450	
5 - 10 Years			
	28/11/2027	0.120	10.5%
Sub-total		0.120	
More than 10 Years			
	28/11/2028	0.240	10.5%
	28/10/2029	0.070	10.5%
	28/10/2030	0.120	10.5%
	28/01/2032	0.020	10.5%
	28/01/2032	0.230	10.5%
Sub-total		0.680	
Total		1.250	

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Treasury Management Prudential Indicators – 2018/19 Half Yearly Position

Authorised Limit for External Debt	Limit 2018/19 £m	Actual 2018/19 £m
Borrowing	14.700	1.250
Other Long Term Liabilities	73.000	72.356
TOTAL	87.700	73.606

Operational Boundary for External Debt	Limit 2018/19 £m	Actual 2018/19 £m
Borrowing	12.700	1.250
Other Long Term Liabilities	73.000	72.356
TOTAL	85.700	73.606

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

Upper Limits on Interest Rate Exposure (based on net principal outstanding)	Limit 2018/19 £m	Actual 2018/19 £m
Fixed Rate (Borrowing)	7.700	1.250
Variable Rate (Investments)	(25.000)	(23.050)

Projected borrowing at fixed rates maturing in each period as percentage of total projected borrowing at fixed rates (includes outstanding interest)			
	2018/19 Upper Limit	2018/19 Lower Limit	2018/19 Actual
Under 12 months (o/s interest)	37%	-	2%
12 months and within 24 months	45%	-	0%
24 months and within 5 years	60%	-	35%
5 years and within 10 years	80%	-	10%
10 and within 20 years	100%	-	53%
20 years and within 35 years	100%	-	0%
35 years to 50 years	100%	-	0%

Upper Limit for Total Principal sums invested for more than 364 days	Limit 2018/19 £m	Actual 2018/19 £m
Total	2.000	-

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**AUTHORITY REPORT: BUDGETARY CONTROL AND CONTRACT MONITORING TO
30 SEPTEMBER 2018**

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 To note the report and forecast outturn.

3. Purpose

3.1 This budgetary control report compares ELWA's actual expenditure for the period ended 30 September 2018 with the original revenue budget approved in February 2018. It is based on information supplied by Renewi UK Services Limited (the Operator), officers of the four Constituent Councils, and the Authority's own information.

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 to support the financial information for the year 2018/19 to date.

4. Background

Revenue Budget

4.1 Based on the profiled budget of £29.946m for net expenditure on services for this period and the actual net expenditure on services of £28.392m the current position is a net underspend of £1.554m to date. (See Appendix A).

4.2 Overall the forecast outturn is currently projecting a favourable variance of £1.207m. This is mainly the result of actual tonnages for the first six months being cumulatively lower than profiled by £0.913m and additional income of £0.110m received in commercial waste. Further under spends reported relate to Professional fees £0.060m and Borough payments £0.094m. Interest receivable is forecast to exceed the budget by £0.030m.

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 2018/19 budget and levy setting process assumed 469,000 tonnes. The tonnages for the 6 months to September 2018 were 5.2% below profile; within this, tonnages in September were 5,969 tonnes under the profiled budget. The hot dry weather conditions have impacted the green waste tonnage levels so they have been lower than profiled. However, tonnages remain volatile therefore at this stage it is assumed that any future month tonnages will be in line with budget. There may be other trends that affect the 2018/19 position and officers will need to determine the impact of possible increases in tonnages per household as well as demographic trends. Taking all this into account the end of year financial forecast for the contractor payment is currently reporting an under spend of £0.913m.

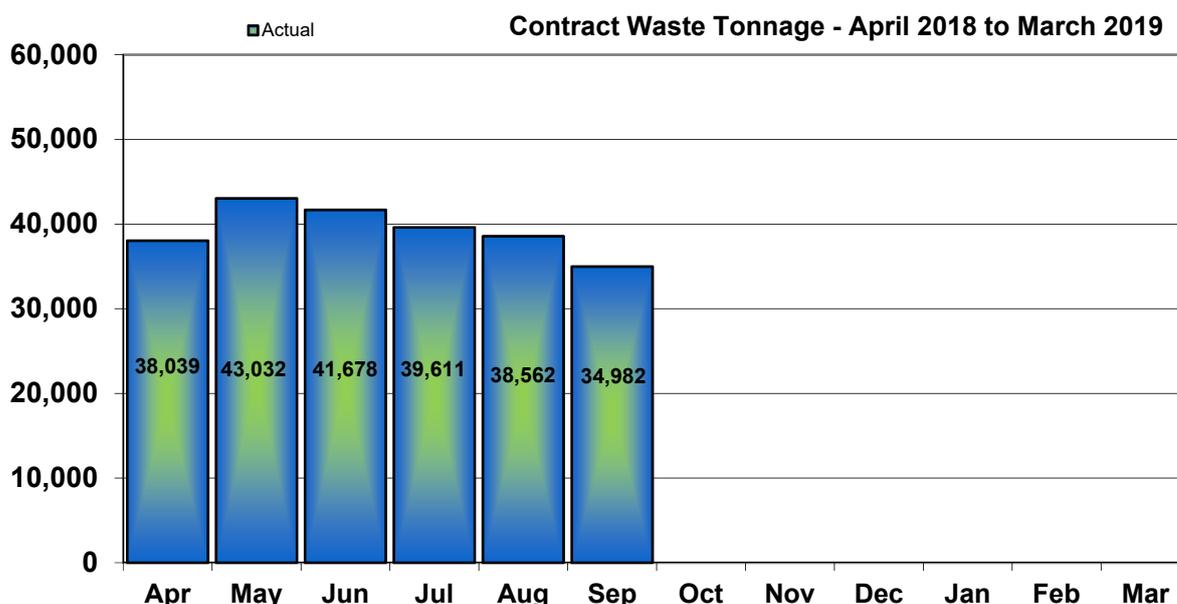
4.4 The 2018/19 budget took account of the financial impact of the diversion agreement signed in June 2015. This incentivises the operator to divert from landfill as much waste as possible and thus passes the risk of diversion performance on to the Operator. Consequently, diversion performance no longer affects the cost of the contract to ELWA with cost pressures determined by tonnage levels.

- 4.5 Insurance in the waste market in recent years had seen premiums increase. Following a fire at the Authority's Mechanical Biological Treatment (MBT) facility on Frog Island in 2014, the contract insurance renewal premium includes conditions that may be required to be met that may result in financial implications in undertaking the work. The Authority is currently in negotiation with the Contractor for 2019. The next renewal premium is due in December 2018 of which 3 months will be charged to the 2018/19 budget. The budget is included within the IWMS contract payments in Appendix A and until the outcome of any decisions is known; no outturn variance will be shown. There is a separate report on insurances and efficiencies later on the agenda.
- 4.6 The budget for Employee costs is £0.470m for 2018/19. An Assistant Contract Manager has been appointed and is in post. The new Managing Director has been in post from 8 May 2018. A new Head of Strategy and Development has been recruited and is expected to start in January. Discussions are ongoing on staffing and it is expected that this budget will be fully spent by the end of the year.
- 4.7 Commercial Waste includes additional income of £0.110m for 2018/19. Made up of £0.065m in relation to actual income for quarter 4 2017/18 being higher than estimated at year end and £0.045m higher income expected in relation to 2018/19 tonnages. A large part of this additional income relates to the London Borough of Barking & Dagenham housing service.
- 4.8 New royalty arrangements with the Operator were provisionally agreed in September 2016. This guaranteed royalty payments to the Authority up to the level of spare capacity in the MBT facilities whether this was utilised or not. At this stage royalty income is forecast to be in line with budget at year end (at £0.350m) and is reported within Other Income. This position will need to be closely monitored because increases/decreases in future monthly tonnages levels will alter the spare capacity available and thus the size of the royalty payment. Based on tonnages to date it is likely that the target will be met by year end and may be exceeded.
- 4.9 The contingency budget for 2018/19 remains at £0.500m. There are no commitments against this budget as at September 2018.
- 4.10 All other areas of activity are forecast to be in line with budget at year end.
- 4.11 The position and forecast of the budget, levy and the reserves over the next few years has been reported to Members previously and as part of the 2018/19 levy setting process reserves were set at the appropriate level and the contingency was increased to cover these risks. Therefore, it is important that robust monitoring of the financial position throughout the year remains in place and in particular, the minimisation of tonnage levels. 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. Prudential Indicators**
- 5.1 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.

6. Contract Monitoring

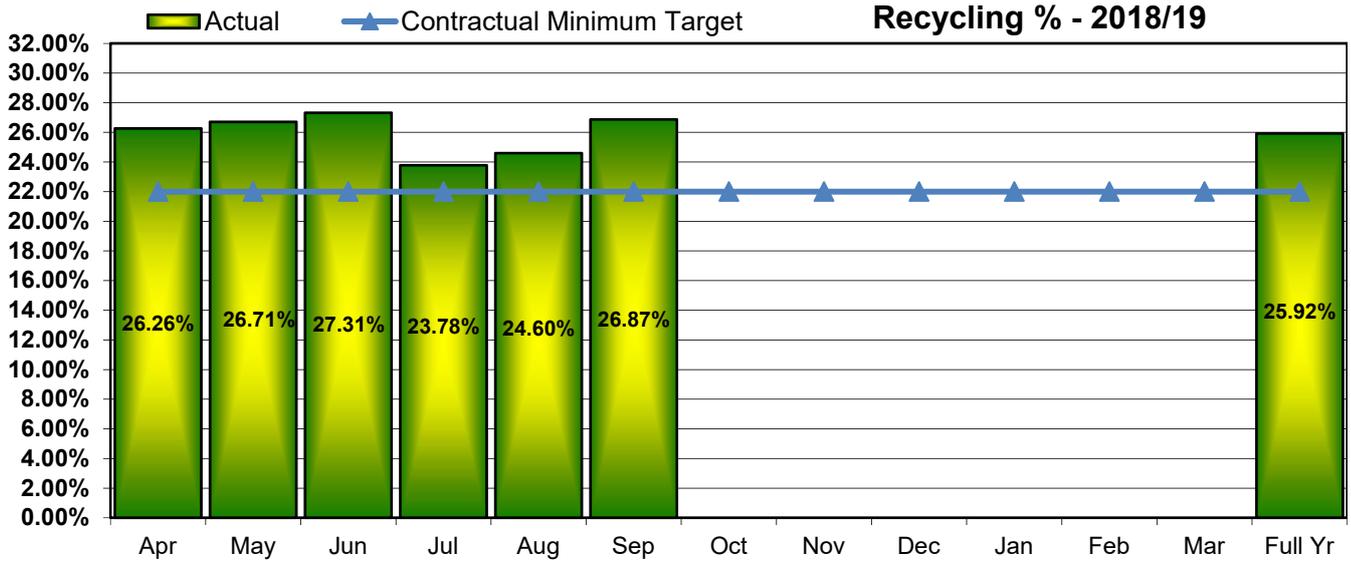
Contract Tonnage

- 6.1 The September tonnage was 34,982 tonnes, 3,527 tonnes less than September 2017 and 5,969 tonnes lower than the anticipated budget for the month.
- 6.2 To date for the year, we are 1,181 tonnes lower than 2017/18 and are now 12,946 tonnes under budget.
- 6.3 Significant falls in household (black bag) and Reuse and Recycling Centre (RRC) waste tonnages represent the main cause of the drop in overall tonnage, counteracting higher garden waste inputs than in previous months.

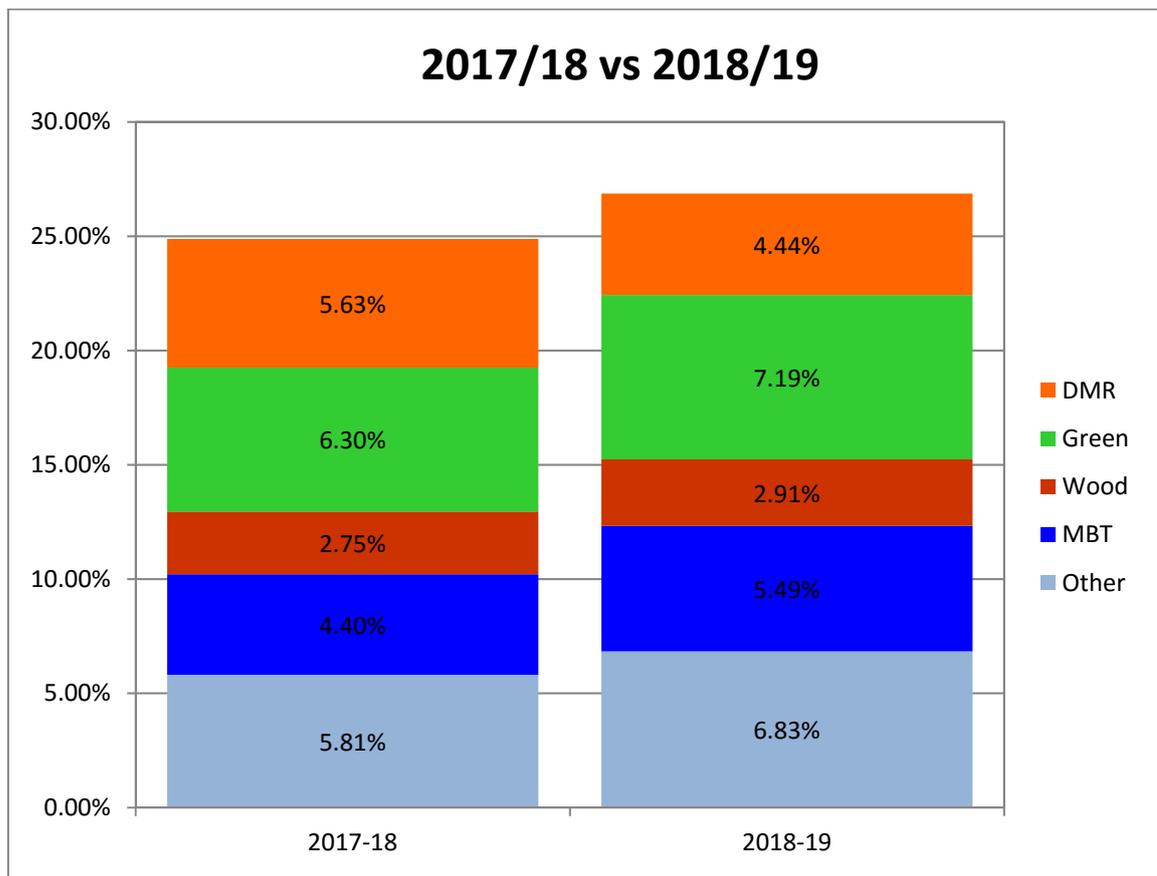


Contract Performance

- 6.4 September's recycling performance continued to show an improvement on previous months. Dry mixed recycling from Barking & Dagenham and Newham is sent to third party Material Recovery Facilities (MRFs) for processing and was re-directed part way through the month from a facility in Grantham to a more local site at Chatham Docks following a fire at the Grantham MRF. The new facility sorts and separates the mixed material in such a way that, according to early sampling data, allows more to be recovered for recycling. As a result, both Constituent Councils benefited this month with improved recycling performance. ELWA officers have visited the new facility and will continue to work with Renewi to establish this as the permanent destination for this material stream if it proves viable.



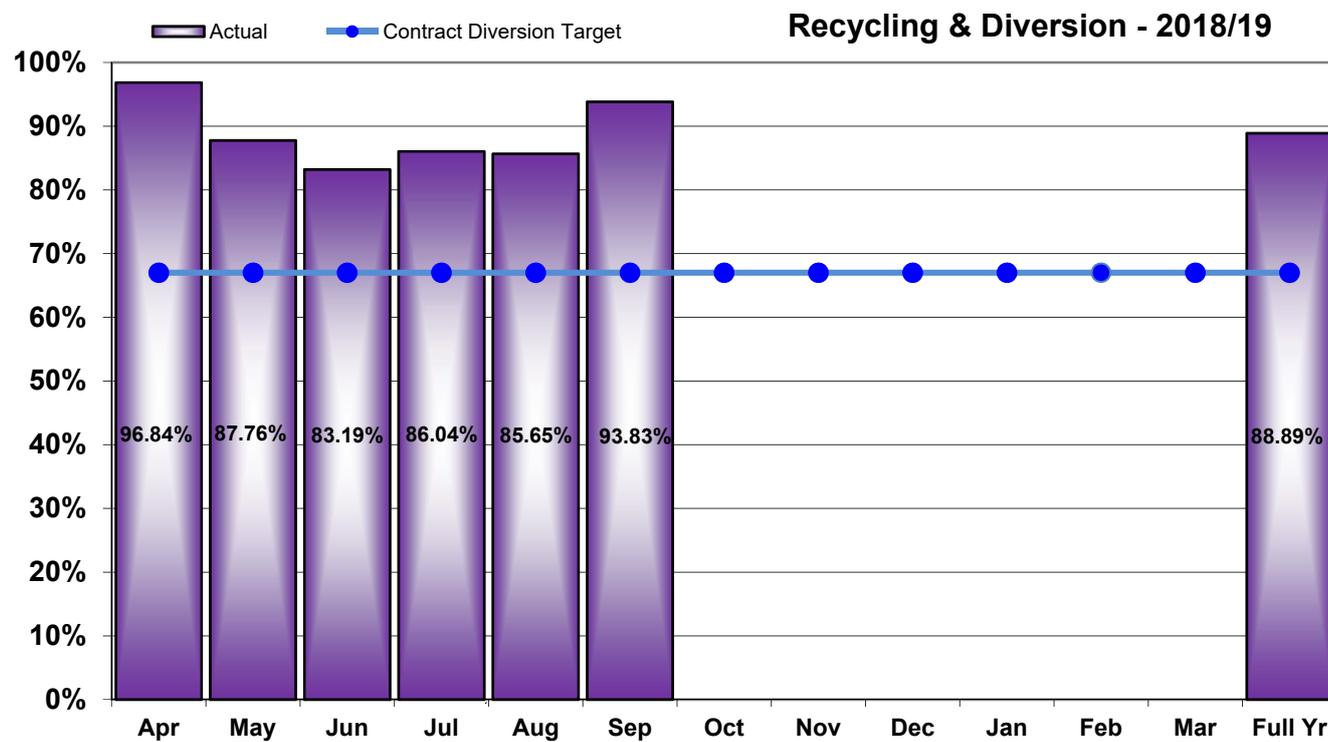
6.5 As the table below illustrates, recycling as a proportion of overall waste increased against September 2017. Dry mixed recycling inputs fell slightly, but as detailed above the quality of material recovered improved.



6.6 Each Constituent Council's recycling performance improved in September, against both this year to date and the previous full year's data. Garden waste inputs increased across all four.

Constituent Council Recycling				
	LBBB	LBH	LBN	LBR
September 2018	28.1%	43.2%	18.7%	28.2%
2018/19 to date	25.9%	42.4%	15.5%	28.1%
2017/18 (whole year)	26.1%	39.3%	15.5%	24.4%

6.7 Contract Diversion increased to 93.83%. As expected, performance has improved as temperatures start to drop and demand increases for both heat and power from Energy from Waste plants, the destination for ELWA's Refuse Derived Fuel (RDF) product. Barring any anomalies, this level of performance should be maintained for the remainder of the year.



Contract Monitoring

6.8 All sites continue to operate to specification. Planned works are underway at the Jenkins Lane MBT facility to repair a leachate leak in the flooring and are on course to be completed before Christmas. This has reduced the MBT capacity temporarily, but plans are in place to ensure all contract waste is accepted as usual. As part of this project, modifications are planned to the MBT refinement section which should result in an increase in the plant's capture of recycling from residual waste.

Communications

6.9 Keep Britain Tidy continue to host classes at Jenkins Lane and visit schools promoting the Reduce, Reuse, Recycle message on behalf of ELWA and the Constituent Councils.

7. Conclusion

7.1 The Authority's 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 and income collection.

8. Relevant officer:

8.1 Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3010 and Andrew Lappage, Managing Director / 020 8724 5614 / e-mail: andrew.lappage@eastlondonwaste.gov.uk

9. Appendices attached:

9.1 Appendix A: Budget Monitoring Statement to 30 September 2018

9.2 Appendix B: ELWA Tonnage Profile 2018/19

10. Background papers:

10.1 05 February 2018 - Revenue & Capital Estimates and Levy 2018/19 Report & Minute No.9/2018

11. Legal considerations:

11.1 This report is brought to Members in accordance with the Authority's requirements in relation to the review and reporting of financial and non-financial performance (Section D, Constitution, paragraphs 17 and 18), detailing actual and forecast performance against targets. The report is to be noted, rather than for decision, and no further implications arise other than those detailed in the report.

12. Financial considerations:

12.1 As outlined in the main body of 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 income recoveries. The amount of reserves is set at a level to take account of the risks.

15. Equalities considerations:

15.1 None.

16. Follow-up reports:

16.1 Budgetary Control Report, next meeting.

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

17.1 <http://eastlondonwaste.gov.uk/east-london-waste-authority/>

18. Glossary:

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

The Contractor = ELWA Limited

DMR = Dry Mixed Recycling

ELWA/the Authority = East London Waste Authority

IWMS = Integrated Waste Management Services contract

MBT = Mechanical Biological Treatment facility

MRF = Material Recovery Facility

The Operator = Renewi UK Services Limited (formerly Shanks Waste Management Ltd)

RRC = Reuse & Recycling Centre

19. Reviewed by Management Board

19.1 5 November 2018.

20. Confidentiality:

20.1 Not Applicable.

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BUDGET MONITORING STATEMENT TO 30 SEPTEMBER 2018

	Original Budget 2018/19	Profiled Budget to 30/09/18	Total Actual to 30/09/18	Variance to 30/09/18	Forecast Outturn to 30/09/18	Outturn Variance
EXPENDITURE	£m	£m	£m	£m	£m	£m
Employee and Support Services	0.470	0.235	0.206	(0.029)	0.470	-
Premises Related Expenditure	0.161	0.098	0.092	(0.006)	0.161	-
Supplies and Services						
IWMS Contract Payments	64.976	28.718	27.501	(1.217)	64.063	(0.913)
Supplies-other	0.204	0.102	0.029	(0.073)	0.144	(0.060)
Payments to Constituent Councils	3.111	1.556	1.512	(0.044)	3.017	(0.094)
Capital Financing Costs	0.177	0.062	0.062	-	0.177	-
TOTAL GROSS EXPENDITURE	69.099	30.771	29.402	(1.369)	68.032	(1.067)
INCOME						
Commercial Waste Charges	(2.610)	(0.653)	(0.763)	(0.110)	(2.720)	(0.110)
Interest receivable	(0.040)	(0.020)	(0.058)	(0.038)	(0.070)	(0.030)
Other income	(0.363)	(0.152)	(0.189)	(0.037)	(0.363)	-
TOTAL INCOME	(3.013)	(0.825)	(1.010)	(0.185)	(3.153)	(0.140)
Contingency	0.500	-	-	-	0.500	-
NET EXPENDITURE ON SERVICES	66.586	29.946	28.392	(1.554)	65.379	(1.207)
PFI grant receivable	(3.991)	(1.996)	(1.996)	-	(3.991)	-
Levy Receivable	(64.770)	(32.385)	(32.385)	-	(64.770)	-
Net Contribution to reserves	2.175	-	-	-	2.175	-
NET	-	(4.435)	(5.989)	(1.554)	(1.207)	(1.207)

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ELWA TONNAGE PROFILE 2018/19

	Budget	Actual	Variance
April	39,681	38,039	(1,642)
May	40,523	43,032	2,509
June	44,674	41,678	(2,996)
July	42,570	39,611	(2,959)
August	40,451	38,562	(1,889)
September	40,951	34,982	(5,969)
October	38,497		
November	37,744		
December	35,472		
January	38,212		
February	32,498		
March	37,727		
Total	469,000		(12,946)

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AUTHORITY REPORT: MEDIUM TERM FINANCIAL STRATEGY 2019/20 TO 2023/24

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 Members are asked to agree the Medium Term Financial Strategy (MTFS) for the years 2019/20 to 2023/24.

3. Purpose

3.1 This report presents the Authority's Medium Term Financial Strategy (MTFS) for the five years from 2019/20 to 2023/24 with particular focus on the 2019/20 financial year.

4. Executive Summary

4.1 This report as part of the MTFS is projecting indicative levy increase of 5.52% in 2019/20 which is lower than the 5.94% increase reported in February 2018. For the years 2020/21 to 2023/24 increases range from 4.02% to 5.46%.

4.2 This five Year MTFS reflects a number of factors including increasing tonnages and significant one off expenditure that will take place in respect of the Waste Management Options after 2027 to be provided for in the MTFS.

4.3 The ability to forecast the levy in the future years for Constituent Councils will depend on effective waste minimisation measures and waste tonnage reductions where possible.

5. Background

General Budget Strategy

5.1 Members will be aware of the extremely difficult financial climate facing all Constituent Councils. The Budget Strategy aims to explore all avenues of cost minimisation in order to mitigate increases in the levy.

5.2 As part of this Strategy, the Authority will seek new funding and new ways of working. It will continue to look at ways of working with the Constituent Councils to improve their waste minimisation and take advantage of any efficiencies and cost savings within the IWMS contract.

5.3 The Authority will seek to set a balanced and prudent budget and to keep any increase in the levy to reflect the levels required to deliver this. The Authority will manage the risks it faces through the maintenance of an adequate and prudent level of reserves.

5.4 It is considered appropriate to retain the existing methodology for calculating the levy.

5.5 Although the Authority has made some progress in limiting increases in overall waste disposal costs and has in place a diversion agreement which means that the risk of low

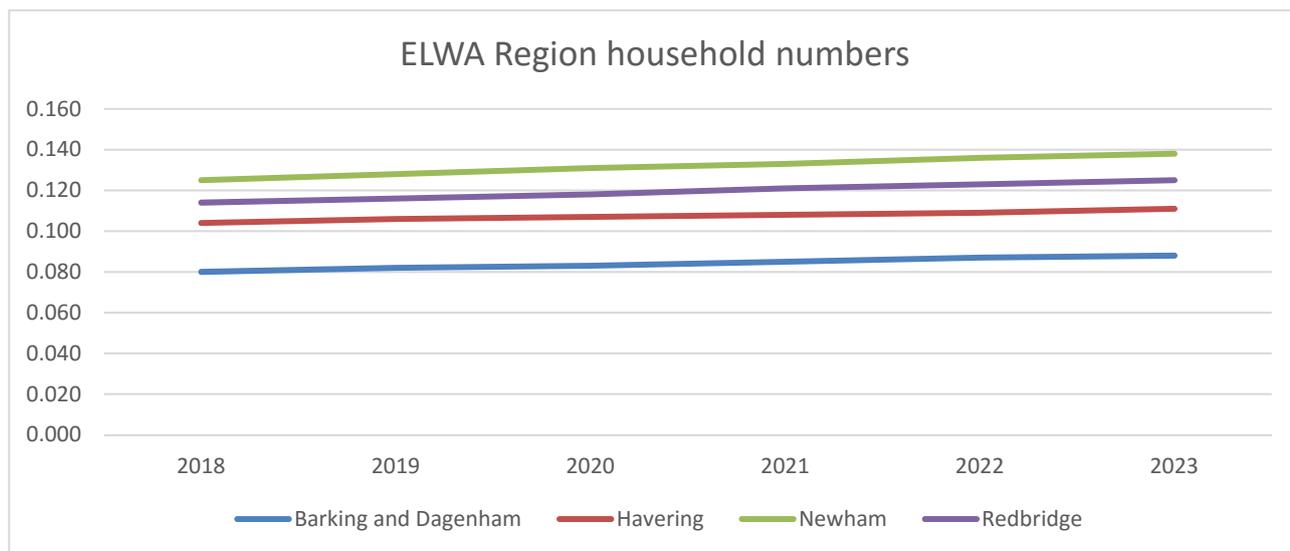
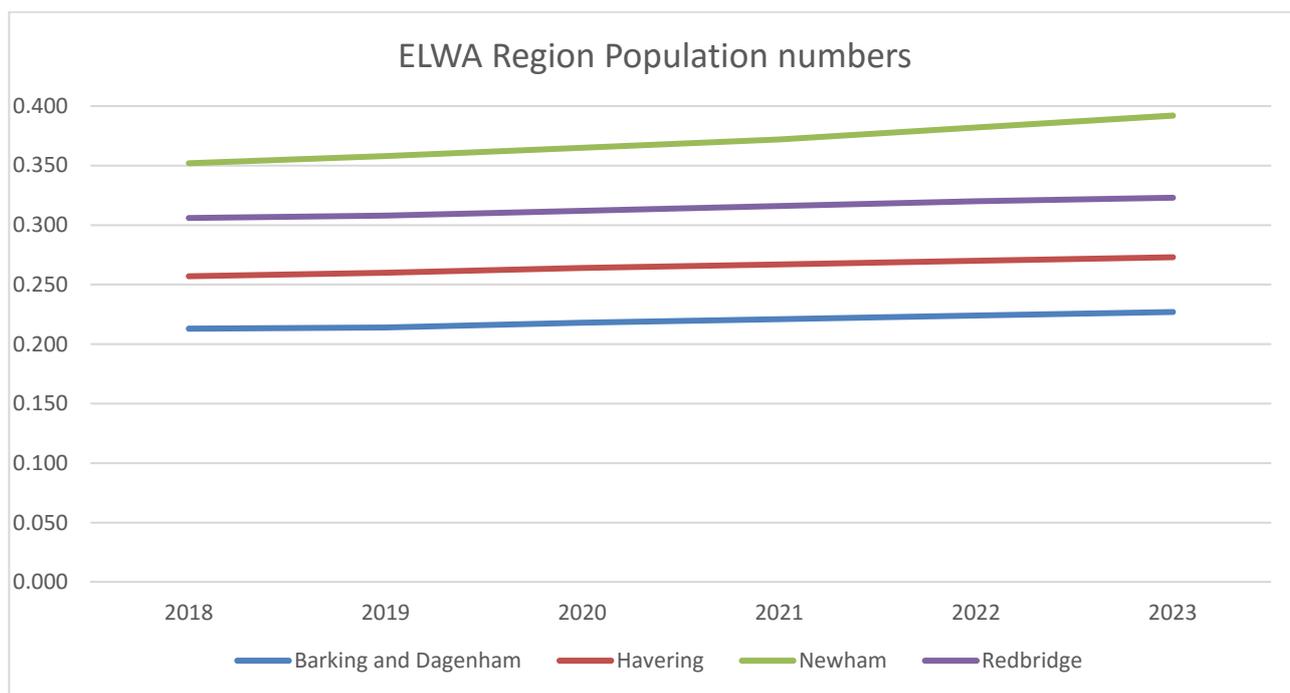
diversion rates is incurred by the Operator, there remains a continuing impact from inflationary increases in landfill tax, contract inflation as well as projected increased overall tonnages and insurances. Inflationary pressures in the proposed MTFS are greater than in the current one.

- 5.6 The MTFS takes account of the need to maintain as a minimum the General Reserves Balance at £3.0m from 2019/20 onwards.
- 5.7 The Integrated Waste Management Strategy (IWMS) contract continues to be the dominant element of the budget (approximately 93%). This in turn is driven by tonnage levels and the in-built contractual costs. The tonnage assumed in the 2018/19 Budget was 469,000 tonnes and the February Levy report had 15,000 tonnes built in for 2019/20 and future years. Taking into account population and properties growth, the plan has been amended to reflect annual tonnage growth of 11,000. It remains vital that ELWA continues to negotiate with the operator to substantially reduce costs so as to mitigate levy increases.
- 5.8 Members have been advised of the in year 2018/19 position. This will need to be taken account of in the setting of the 2019/20 Levy.
- 5.9 The main factors and outcomes within this five-year financial plan are as follows:
- As required in the IWMS contract, cost inflation has been built into the projections. This is 80% of the Retail Price Index (RPIX) at the previous October each year. At the 80% level this is estimated to be 2.6% for 2019/20, and is projected to be 2.8% for remaining years.
 - Constituent Councils' population and household increases 2018-23 which are projected as follows:

Population projections	2018	2019	2020	2021	2022	2023	increase
	m	m	m	m	m	m	%
Barking and Dagenham	0.213	0.214	0.218	0.221	0.224	0.227	6.6
Havering	0.257	0.26	0.264	0.267	0.270	0.273	6.2
Newham	0.352	0.358	0.365	0.372	0.382	0.392	11.4
Redbridge	0.306	0.308	0.312	0.316	0.320	0.323	5.6
Total	1.128	1.14	1.159	1.176	1.196	1.215	7.7

Household projections	2018	2019	2020	2021	2022	2023	increase
	m	m	m	m	m	m	%
Barking and Dagenham	0.080	0.082	0.083	0.085	0.087	0.088	10.0
Havering	0.104	0.106	0.107	0.108	0.109	0.111	6.7
Newham	0.125	0.128	0.131	0.133	0.136	0.138	10.4
Redbridge	0.114	0.116	0.118	0.121	0.123	0.125	9.6
Total	0.423	0.432	0.439	0.447	0.455	0.462	9.2

The graphs illustrate this:



c) Tonnages are assumed to increase as forecast in the following table:

2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
451,000	469,000	480,000	491,000	502,000	513,000

d) A Landfill tax rate of £91.35 has been fixed for 2019/20. Annual increases in Landfill tax are tied to the retail price index and these have been included in the five-year projections.

5.10 The Local Government Act lays down that the 'Chief Finance Officer' of the Authority has the responsibility to report on the adequacy of the proposed financial reserves. There needs to be a balance between trying to mitigate levy increases and maintaining an adequate level of reserves. The suggested level in the MTFS represents the minimum level of reserves that are currently deemed to be adequate given the risks and uncertainties faced by ELWA. As part of the continuing policy on the Strategy Reserve it is proposed to continue the existing policy. It is also proposed that any underspend in 2018/19 is transferred to the Strategy Reserve.

5.11 It is important to note that the projected levy increase in 4.1 represents the average increase, not the specific increase for each Constituent Council. The levy for each Constituent Council will be based on updated tonnage figures and the number of Band D properties, which will be provided by Constituent Councils in time for the Levy report in February 2019.

5.12 Projected future levy increases can only be mitigated if ELWA's contract costs are minimised and significant progress is made in constituent authorities' waste minimisation measures.

6. Revenue Budget Projections

6.1 Movements in the levy comprise of the following:

	Original projection 2019/20 £m	Updated projection 2019/20 £m	Paragraph reference
2018/19 levy	64.770	64.770	
IWMS contract			
• tonnage increase	1.120	0.468	6.3 – 6.6
• inflation	2.102	1.505	6.3
non contract costs and inflation	0.070	2.078	6.10 – 6.17
Landfill taxes inflation	0.108	0.105	6.7
Insurance costs	0.120	(0.905)	6.18
Budgeted Reserve movements	0.325	0.325	8 & 14
Projected 2019/20 levy	68.615	68.345	

6.2 The revenue budget has 3 general components: contractor costs, non-contractor costs and income.

Contractor Costs

- 6.3 Contractor costs include an additional cost of £0.468m relating to rate increases in supplements plus £1.505m relating to contract inflation of 2.6%. This has been set at 80% of the October 2018 RPIX of 3.3%. Rates of 2.8% have been used for 2020/2021 to 2023/24.
- 6.4 The cost of waste disposal under the contract with ELWA Ltd is approximately 93% of ELWA's total expenditure. The 2018/19 budget was based on 469,000 tonnes. The final outturn is currently forecast to be in the region of 451,000 tonnes however this is dependent on the severity of the winter or otherwise. Based on this, and expected growth in households, a total ELWA tonnage figure of 469,000 tonnes has been assumed for 2019/20.
- 6.5 The table below shows the projected tonnage breakdown by Constituent Council, based on 2017/18 actuals and projections to date in 2018/19. The final forecast figures will be confirmed by Constituent Councils for the February report

	2019/20 forecast tonnes (000)
Barking and Dagenham	97
Havering	112
Newham	137
Redbridge	123
Total	469

- 6.6 The Levy report to be presented in February 2019 will reflect the updated Technical Officers' reports from the Constituent Councils. It should be emphasised that ELWA has no direct control over the waste tonnage which is delivered for disposal. The overall waste level is influenced by population increases and the pace of new development as well as the Constituent Councils' monitoring and enforcement of waste collection .

Landfill Tax Inflation

- 6.7 Included within contract costs, the Landfill Tax (LFT) rate is linked to the Retail Price Index. The table below summarises the projected rates per tonne with ELWA's contribution:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	£	£	£	£	£	£
Gross	88.95	91.35	94.15	96.79	99.50	102.28
ELWA	73.95	76.35	79.15	81.79	84.50	87.28
% increase	4.0	3.2	3.7	3.3	3.3	3.3

- 6.8 At projected diversion rates this reflects the additional cost of £0.105m in 2019/20.

Revised Diversion arrangements

- 6.9 In June 2015 agreement was reached between ELWA and Renewi UK Services Ltd (previously known as Shanks Waste Management Limited) and the aim of this was to incentivise the operator to increase diversion from landfill as far as possible through the development of solid recovered fuel (SRF) and RDF production capacity without any net impact on the Authority. The main features of the agreement were as follows.
- a) The payment of an additional category of supplement to the operator for higher than contracted diversion of 67%.
 - b) A flat rate rebate of £0.275m payable by the operator to ELWA regardless of diversion performance, and this would rise in annual steps up to £0.500m.
 - c) Where diversion performance falls below 67% the operator would pick up the whole of the landfill tax liability with no additional supplements being due.

The arrangements relating to this Diversion agreement are included within the budget.

Non-Contractor Costs

- 6.10 Non-contractor costs include a projected increase of £2.078m.
- 6.11 Salaries and related costs are assumed to increase by 2% per annum over the five-year period. Salary budgets also include an uplift for the proposed staffing structure for 2019/20.
- 6.12 Inflation of 2.6% to 3.0% has been added to other non-contract costs as appropriate. These include supplies and services, premises as well as Constituent Council costs funded from the ELWA levy such as tonne mileage payments, some recycling initiatives and service level agreements. The payments made to Constituent Councils amount to approximately £3.0m per annum. If arrangements were such that Constituent Councils met these costs directly then there would be a reduction in the overall levy and a corresponding increase in Councils' direct costs. It has been the practice to account for these costs within ELWA ever since the Authority was established, such that all waste disposal costs are accounted for in one entity.
- 6.13 The revenue maintenance costs of landfill sites are also met from the non-contractor costs budget. Should these be sold then there will be a revenue saving in this budget.
- 6.14 It is proposed to retain the contingency at £0.5m to manage any unforeseen expenditure and as a first call for in year overspends that cannot be met from within the approved budget. The contingency also allows the Authority to strengthen its reserves by keeping spending within budget.

Capital Financing Charges

- 6.15 The revenue cost of borrowing also known as capital financing charges is included within the revenue budget. The budget for 2019/20 onwards accounts for borrowing of £60m.

Income

- 6.16 ELWA receives income from the Constituent Councils in respect of commercial waste tonnage. The budgeted income figure for 2019/20 is based upon the 2018/19 forecast with an uplift of RPIX 2.6%. This assumes the existing commercial waste arrangements continue for the next three years and volumes remain relatively constant. Any change to this position will be reflected in future Levy setting and MTFS reports.
- 6.17 There is also some other income, for example, investment income and trade waste royalty income. For royalty income for 2019/20 the budget is set at the £0.341m guaranteed royalty payment based on a tonnage of 469,000 tonnes, to be reduced by 2.5% each year to reflect increases in tonnage collected.

Insurance Costs

- 6.18 The insurance budget is projected to decrease by £0.905m. In respect of the contract Members will be aware that insurance premiums have increased significantly in recent years due partly to the major incident in 2014 at the Frog Island Waste facility, but also due to the market place for insurance where because of the overall number of fires in the wider waste industry there are very few providers of this type of insurance. A significant increase has therefore been assumed for future years. More information is available elsewhere on this agenda and by the time the Levy report is produced for the February 2019 Authority meeting further details will be available.

7. Contract Efficiencies

- 7.1 Achieved contract efficiencies have been built into the five-year MTFS.

8. Reserves Strategy

- 8.1 Total budgeted contribution to reserves has been increased by £0.325m.
- 8.2 As part of the Levy Setting report in February 2018, it was agreed that the minimum level of usable reserves needed to cover risks facing the Authority was £3.0m.
- 8.3 A second strand to the Reserves Strategy was the establishment of a Strategy Reserve to cover costs arising out of the post 2027 waste disposal arrangements. The Strategy Reserve will be used for revenue costs including feasibility works relating to site options and appraisals, pre-planning work and elements of the planning approval process (procurement of design, build and operate contract). The financial strategy was to build reserves up over five years to finance this work.
- 8.4 As part of the February 2018 Levy report; a new Business Risk Reserve of £1.0m was created to cover any risks while maintaining the Revenue Reserve at £3.0m. An additional contribution of £1.0m was also made from the 2017/2018 outturn bringing the total reserve to £2.0m. This reserve will only be utilised if a risk arises and all exhaustive management action has been taken to mitigate the risk and the financial impact.
- 8.5 The final element of the Strategy was to hold a capital reserve of £0.1m.

9. Other Assumptions

- 9.1 This MTFS takes account of the 2018/19 position and this will be factored into the Levy calculation for 2019/20.

10. Closure of Landfill Sites

- 10.1 The responsibility for, and maintenance of the three remaining closed landfill sites continues to carry a significant financial risk for ELWA including the cost of potential damage to third parties. Currently maintenance operations are at relatively low cost but the nature of the sites including the risk of fly tipping creates some financial uncertainty for the future. Therefore, it is proposed to retain the current existing budgets.
- 10.2 Further disposal of sites may affect revenue budgets.

11. Determination of the Levy and Levy apportionment

- 11.1 The calculation of the levy is determined by the costs and income detailed in paragraph 6 and 7, and the use of reserves as described in paragraphs 8 and 14. Based on the analysis in the previous paragraphs a levy increase of 5.52% in 2019/20 is projected.
- 11.2 Key projections such as tonnages will need to be reviewed by ELWA officers to ensure they are accurate before the 2019/20 levy report is presented.
- 11.3 The table below summarises the draft financial plan for the next five years, highlighting the expenditure budget requirements, the projected levy increases and increase in reserves.

Summary Budget	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Gross revenue Budget	69.836	73.571	76.808	79.853	83.004
Net movement Reserves	2.500	2.500	2.500	2.500	2.500
Sub Total	72.336	76.071	79.308	82.353	85.504
Financed By					
PFI grant	3.991	3.991	3.991	3.991	3.991
Levy	68.345	72.080	75.317	78.362	81.513
Projected Levy Increase over previous year	5.52%	5.46%	4.49%	4.04%	4.02%
Year End Reserves					
	£m	£m	£m	£m	£m
General Reserves	3.000	3.000	3.000	3.000	3.000
Strategy Reserve	11.524*	14.024	16.524	19.024	21.524
Business Risk Reserve	2.000	2.000	2.000	2.000	2.000
Capital reserve	0.100	0.100	0.100	0.100	0.100

*assumes the forecast underspend of £1.207m in 2018/19

11.4 ELWA Members will understand the impact of its levy on the Constituent Councils' budgets and it is important to keep any annual increases to a minimum subject to the continual need for financial prudence and operational viability. These two pressures must be balanced and Members must also take a five-year view on the MTFs. It is likely that ELWA will continue to face uncertainty in the future and financial pressures cannot be ruled out for the remainder of the current year and for the 2019/20 to 2023/24 period that follows.

11.5 The table below shows the impact of the projected levy increases by Constituent Council, based on the 2017/18 household tonnages and 2018/19 Band D figures.

	Provisional Figures – Subject to Update					
Constituent Councils - Levy	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual £m	£m	£m	£m	£m	£m
Barking and Dagenham	12.138	12.818	13.519	14.126	14.697	15.288
Havering	15.887	17.176	18.115	18.928	19.694	20.485
Newham	19.004	20.239	21.345	22.304	23.206	24.138
Redbridge	17.741	18.112	19.101	19.959	20.766	21.601
Total	64.770	68.345	72.080	75.317	78.362	81.513

11.6 It is important to stress that these estimates are likely to change when the February 2019 Levy report is produced as there will be updated 2018/19 tonnage data. At that stage up to date Band D figures will have been confirmed by the Constituent Councils.

11.7 This MTFs highlights various complex issues facing ELWA, which necessitates a prudent approach to its projection and strategy. Waste management generally continues to be subject to many changes, a number of which are beyond ELWA's control. The projection and strategy has been prepared in conjunction with, and are supported by all of the ELWA Directors.

11.8 When considering the MTFs, Members will need to have regard to the Authority's longer-term position and the level of its reserves over the next few years. This is in the context of both the financial risk and possible smoothing of levy increases over the five-year period as well as the need to build up a Strategy Reserve.

11.9 The levy forecasts for 2019/20 to 2023/24 clearly can only be taken as an attempt to provide the most helpful indication presently possible for planning purposes, together with an explanation of some of the relevant factors concerned. However, a change in any of a number of uncertain factors, for example growth in waste, inflation assumptions and any new legislation particularly the Government's proposed Resources and Waste Strategy expected this year could significantly impact on the overall projections.

11.10 In summary the proposal is to finance the overall increased net costs by levy increases of between 4.02% and 5.52% in the years 2019/20 to 2023/24.

12. Underlying assumptions in the MTFS

- 12.1 Volumes have been based on 2018/19 tonnages to date with an estimation of growth for population and household increases.
- 12.2 The following inflation rates have been used in the calculations in MTFS
- a) Contractor and Landfill inflation 2.6% (2018/19 MTFS 3.5%)
 - b) 3% general inflation for non-contract costs (2018/19 MTFS 3%)
 - c) 5% insurance inflation up to 2020/21 10% thereafter,
 - d) 2.6% commercial waste inflation (2018/19 MTFS 3.3%)
- 12.3 It has been assumed that the monies required for the waste option 2027 will be a combination of revenue and capital.

13. Risks

- 13.1 The setting of the levy and the determination of the level of reserves needs to take account of the risks facing the Authority. These are detailed below.
- a) Waste volumes could increase at a different rate than that assumed in these figures. The extra cost is £0.400m per 1% increase in waste. Impact of the population increase and urban development projections could vary from actuals.

Landfill Tax will increase these costs in the five years 2019/20 to 2023/24. Every £1 per tonne on landfill tax increases costs by approximately £0.100m per annum. Landfill tax is currently linked to RPI however, the previous arrangement was for the tax to go up in stepped annual increases of £8 per tonne. Should a similar arrangement be required in the future then this would have a significant impact on costs.
 - b) Salary inflation is higher than the provision.
 - c) Potential large-scale increases in insurance costs.
 - d) New regulations over waste. Problems around contract delivery and / or the need to change the contract. PFI contract affected by political change nationally.
 - e) Monies required for waste options post 2027 are a prudent estimate however some of these costs may be able to be capitalised. The revenue cost of capital has been built in and any monies not required will be returned to Constituent Councils.
- 13.2 A thorough review of the likelihood of risk will be built into the calculations of an adequate reserve level and this will be presented in detail in the levy report to be considered by Members in February 2018.

14. Reserves - Assumptions

- 14.1 The Authority accepted in the early years of the contract that a minimum level of normal operational revenue balances should be set aside. Reserves may also be needed to help implement new developments. The Local Government Act 2003 indeed requires Authority Chief Finance Officers to maintain an adequate level of reserves.

- 14.2 The risks are detailed in paragraph 13. Based on these it is proposed that General Reserves stay at £3.0m.
- 14.3 It is proposed that £2.500m is added to the Strategy Reserve in the period 2019/20 to 2023/24. This will bring the total contribution to this reserve up to £21.514m at the end of 2023/24.
- 14.4 The table below summarises the overall position.

Reserve Positions	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Strategy Reserve						
Opening Balance	6.642	9.024	11.524	14.024	16.524	19.024
less Strategy spend	-	-	-	-	-	-
In year movement	2.382	2.500	2.500	2.500	2.500	2.500
Closing Balance	9.024	11.524	14.024	16.524	19.024	21.524
Revenue Reserve						
Opening Balance	3.000	3.000	3.000	3.000	3.000	3.000
In year movement	-	-	-	-	-	-
Closing Balance	3.000	3.000	3.000	3.000	3.000	3.000
Business Risk Reserve						
Opening Balance	1.000	2.000	2.000	2.000	2.000	2.000
In year movement	1.000	-	-	-	-	-
Closing Balance	2.000	2.000	2.000	2.000	2.000	2.000
Capital Reserve						
Opening Balance	0.100	0.100	0.100	0.100	0.100	0.100
In year movement	-	-	-	-	-	-
Closing Balance	0.100	0.100	0.100	0.100	0.100	0.100

Includes £1.207m forecast underspend from 2018/19

15. Next Steps

- 15.1 Early January 2019 – Tonnage figures updated based on information from ELWA and Constituent Council officers as well as each Council's updated Band D figures.
- 15.2 Early February 2019 – Members consider the 2019/20 Revenue Budget and set the levy.
- 15.3 The table at 11.5 shows the impact of the increases by Constituent Council based on the 2017/18 tonnages and 2018/19 Band D information. The split between Constituent Councils will change when the 2019/20 Band D information becomes available.

16. Conclusion

- 16.1 Waste Disposal has been subject to much legislation and regulation over many years and there is potential for further legislation on this area. Coupling this agenda with the dramatic cuts in council funding means the focus on sizeable cost reductions will be an ongoing and potentially volatile theme.

- 16.2 Waste volumes in the Constituent Councils drive the cost pressures in ELWA's budget. With significant increased development projected it is essential that the Constituent Councils have waste minimisation as a priority and the appropriate contract monitoring procedures are in place.
- 16.3 ELWA, by letting an IWMS contract and gaining PFI support put itself in a better financial position than others who had no PFI funding in previous years. However, the long-term nature of the contract is now a constraint for the Authority and will be until 2027. It is imperative that all measures possible are taken to minimise costs within this constraint and to continue to review possible alternative approaches. This report sets out the projected financial pressures on ELWA, proposes a Strategy for the use of reserves and suggests that the overall levy increase will be between 4.02% and 5.52% over the five-year period.
- 16.4 The increase in levy over the five years takes account of the need to build up the Strategy Reserve as detailed in paragraphs 8 and 14. The Finance Director will continue consulting with Constituent Councils' Directors during the next couple of months regarding the details of the MTFS. Detailed calculations of actual levy increases will be considered at the February meeting of the Authority prior to the start of the 2019/20 financial year.
- 16.5 However, it is the view of the Finance Director that the projected future increases in the levy will be extremely challenging for the four Constituent Councils in the existing financial climate where Authorities are having to make significant service reductions. Therefore, it is vital that waste tonnages are minimised.
- 16.6 The Budget Strategy recommended in this report will need to be kept under review in the light of any new circumstances.

17. Relevant officer:

- 17.1 Maria G. Christofi Finance Director / e-mail finance@eastlondonwaste.gov.uk 020 8708 3010

18. Appendices attached:

- 18.1 None.

19. Background Papers:

- 19.1 27/09/10 Alternative Methodology for Calculating the ELWA Levy - Report and Minute 2010/29
- 19.2 20/11/17 Medium Term Financial Strategy 2018/19 to 2022/23 Minute 2017/47
- 19.3 05/02/18 Revenue and Capital Estimates and Levy 2018/19. Report and Minute 2017/65

20. Legal Considerations:

- 20.1 As set out in the main body of the report, local authorities including ELWA are under an explicit statutory duty to ensure that their financial management is adequate and effective and that they have a sound system of internal control and management of financial risk.
- 20.2 This is set by sound public accounting practice guidance. As part of this requirement a forward thinking, medium term budget strategy is key to ensuring stability; this includes taking account of future income, liabilities, risks, investments, contingencies, statutory compliances, contractual obligations and of course securing best value for money.

21. Financial considerations:

- 21.1 As detailed in the report.

22. Performance management considerations:

- 22.1 As detailed in the report.

23. Risk management considerations:

- 23.1 As detailed in the report.

24. Equalities considerations:

- 24.1 The proposals and recommendation in this report are to agree the MTFs for the next three years. The Managing Director advises that the proposals do not particularly affect any one group as defined by the equalities legislation.

25. Follow-up reports:

- 25.1 Levy setting report February 2019

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

- 26.1 <http://www.eastlondonwaste.gov.uk>

27. Glossary:

ELWA = East London Waste Authority

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

IWMS = Integrated Waste Management Strategy

PFI = Private Finance Initiative

RDF=Refuse Derived Fuel

RPIX=Retail price index excluding mortgages

SRF = Solid Recovered Fuel

28. Reviewed by Management Board

28.1 05 November 2018.

29. Confidentiality:

29.1 None.

AUTHORITY REPORT: PROGRAMME OF MEETINGS 2019-2020

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 Members are asked to:

a) agree the Authority's meeting dates for the municipal year 2019/20.

3. Purpose

3.1 To consider and agree the schedule of dates for the Authority to meet for the period to June 2020.

4. Background

4.1 This programme is based around specific dates by which the East London Waste Authority (ELWA) is either legally or contractually required to approve key matters, as referred to below. The schedule of meetings has been revised to take account of:

- a) finance and accounting deadlines;
- b) the timing of member appointments to ELWA by the Constituent Councils;
- c) purdah pre-election period and elections date;
- d) organisational and operational demands; and
- e) a good spread of meetings across the year in response to revised deadlines.

5. Current position

5.1 The Authority's Constitution states that the AGM will be held in either May or June each year. Officers do not feel it advantageous for the AGM to be brought forward to May. This is the month when Constituent Councils consider changes in their portfolio holders and therefore ELWA Member appointments. In June, the Authority's Member appointments have usually been confirmed and the meeting attended by those new appointees. In Officers' opinion, June is the more suitable date to hold the AGM.

5.2 The changes in the Accounts and Audit Regulations 2015 timetable (notified to Members in 2017) state that the Authority must approve, with effect from 2018, the audited Statement of Accounts and Annual Governance Statement no later than the 31 July in the financial year immediately following the financial year of the Statement of Accounts, has impacted on the delivery of reports within the usual programme of meetings (ie September brought forward to July). With a view to avoid calling Members together for an additional meeting shortly after the AGM, Officers are proposing that the Audited Accounts be received by Members at the AGM in June but at the latest possible date. The impact of this will mean that the draft Statement of Accounts & Annual Governance Statement and the Audited Accounts will both be signed off by the draft Statement of Accounts deadline of 30 June.

6. Next steps

6.1 Members are asked to consider approval of the following programme of meetings based on the information provided in this report.

Current agreed dates of future Authority meetings

- 04/02/2019 Approval of Annual Levy (required by 14/02/19) and IWMS Annual Budget & Service Delivery Plan (ABSDP).
- 28/06/2019 Annual General Meeting and Annual Governance Report & Statement of Accounts (required by 31/07/19).

Proposed dates of Authority meetings

- 30/09/2019 Regular meeting.
- 02/12/2019 Programme of Meetings.
- 10/02/2020 Approval of Revenue & Capital Budgets and Levy (required by 14/02/20) & IWMS Annual Budget & Service Delivery Plan (ABSDP).
- 29/06/2020 Annual General Meeting.

7. Authority meetings time & venue

- 7.1 Authority meetings will be hosted by Constituent Councils and start, where possible, at 9.30 am on the above dates.

8. Informal Workshops

- 8.1 Informal Strategy Workshops will be arranged as and when required.

9. Management Board meetings

- 9.1 It is usual practice for ELWA Management Board meetings to be held a fortnight prior to the Authority meetings. Therefore, the following dates reflect the proposals above for the Authority meetings.

Current agreed dates of Management Board meetings

- 21/01/2019 Levy and IWMS Annual Budget & Service Delivery Plan

Proposed dates of future Management Board meetings

- 14/06/2019 Annual General Meeting and Annual Governance Report & Statement of Accounts
- 16/09/2019 Regular meeting
- 18/11/2019 Programme of Meetings
- 27/01/2020 Approval of Revenue & Capital Budgets and Levy & IWMS Annual Budget & Service Delivery Plan (ABSDP) and any staffing arrangements.
- 15/06/2020 AGM

10. Management Board Meetings venue

- 10.1 It is proposed to continue to hold all Management Board meetings at the offices of the Authority.

11. Conclusion

- 11.1 The schedule of meetings fulfils our obligations and meets the needs of the Authority.

12. Relevant officer:

12.1 Shirley-Ann Gray/Office Manager / e-mail shirley.gray@eastlondonwaste.gov.uk / 020 8724 5803

13. Appendices attached:

13.1 None.

14. Background Papers:

14.1 29 November 2017– Programme of Meetings Report & Minute No. 44/2017.

14.2 29 June 2018 - Statement of Accounts & Auditor's Report 2017/18 and Minute 9/2018.

14.3 2018 - Constitution

15. Legal Considerations:

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

16. Financial Considerations:

16.1 The report highlights dates for Authority meetings where key documents such as ELWA's Levy and the Statement of Accounts need to be agreed by the Authority. It is important to ensure that Authority meetings are held on or around these proposed dates so that the Authority meets key financial statutory deadlines.

17. Performance Management Considerations:

17.1 None.

18. Risk Management Considerations:

18.1 Not Applicable.

19. Equalities considerations:

19.1 Not Applicable.

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

20.1 <http://www.eastlondonwaste.gov.uk>

21. Glossary:

ABSDP= Annual Budget & Service Delivery Plan

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

ELWA /the Authority = East London Waste Authority

IWMS = Integrated Waste Management Services

22. Reviewed by Management Board

22.1 05 November 2018.

23. Confidentiality:

23.1 Not Applicable.

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AUTHORITY REPORT: CONSTITUTION REVIEW

1. Confidential Report:

1.1 No.

2. Recommendation:

2.1 Members are asked to note that: -

- a) the Managing Director, advised by the Monitoring Officer, has exercised his delegated authority under Part C, Section B, para 1.1(m) of the Authority's Constitution to approve minor and administrative changes to the Constitution; the revised document is on the Authority's website.
- b) a comprehensive review of the Constitution is under way to ensure that the corporate governance arrangements of the Authority are fit for purpose in line with the future arrangements for its waste strategy;
- c) a revised Constitution will be presented for approval by the Authority at the February 2019 Authority meeting.

3. Purpose:

3.1 To update members on the progress of the full Constitution review; and

3.2 The timescales for delivery of the revised Constitution for by the end of the 2018-19 financial year.

4. Executive Summary:

4.1 A comprehensive review of the ELWA Constitution commenced in 2018. The intention was to align the Constitution with best practice for democratically accountable public authorities and also the practice of the Constituent Councils particularly with regard governance, standards, data protection, procurement, spending and contract and finance rules.

5. Background:

5.1 The current Constitution (last iteration issued being May 2012) was recently updated with minor and administrative amendments falling broadly into the following categories:

- a) To remove outdated references to members, officers, contact points and contact numbers, and cross-referencing within the Constitution for clarity and ease of administration;
- b) To update any references to legislation – for example, references to the new Data Protection Act 2018;
- c) To remove some instances of duplication – these are essentially administrative changes which do not result in any change to functions or lines of responsibility;
- d) Any other typographical, grammatical or referencing corrections to ensure clarity over the intended meaning of substantive provisions.

5.2 Those revisions detailed at 5.1 were carried out by the Monitoring Officer and approved by the Managing Director as noted at the last Authority meeting.

6. Progress

6.1 The review was carried out focusing on the key role of the Constitution, that is establishing a sound governance framework for the Authority. Since the Constitution was last subject to a root and branch review, the Localism Act 2011 has placed the Nolan Committee's recommendations for the seven standards in public life at the heart of standards expected of a public body. These requirements are incorporated in the Constitution. To achieve this objective the Constitution has a completely new Employees Code of Conduct together with for the first time a new Member – Officers protocol as is the practice in the Constituent Councils.

6.2 Change is required to ensure that statutory protection to the three governance officers of the Managing Director (Head of the Paid Service), the Director of Finance (Chief Finance Officer) and the Monitoring Officer is in line with the latest statutory instruments. This needs a number of changes. The Role of the Authority terms of reference in Part B of the Constitution needs to be widened so as to establish an Authority Disciplinary Panel Sub-Committee. The operation will mirror the requirement for Local Authorities in that the Sub-Committee will be assisted in its decision making with an Independent Person as is required by the Local Authority Standing Order Regulations 2015.

6.3 The Monitoring Officer has commissioned a contract specialist to review the Contract Rules (Part D1). Their opinion is that there is a need for significant fresh drafting. Work has commenced on the Contracts Rules, the key points being:

- a) removal of oral quotes and requiring quotations be obtained in writing;
- b) measuring the Rules against the revised Public Contract Rules 2015;
- c) ensuring the thresholds are consistent with the EU tender thresholds; and
- d) clarifying the Approved List and EU Framework agreement. need further drafting as the requirements in term of purchasing thresholds, need for formality and finance control have moved on.

6.4 The Finance Rules (Part D2) have been updated to take account of the revisions to the statutory framework such as the Account and Audit Regulations 2015. Further consideration is currently before the Director of Finance.

The Employment Rules (Part D3) have been updated, though there will need to be consultation, to finalise the provisions to ensure that statutory protection to the three governance officers of the Managing Director (Head of the Paid Service), the Director of Finance (Chief Finance Officer.) These changes work in conjunction with the changes to the Authority in Part B of the Constitution so in the event of an allegation of misconduct:

- a) The Authority will establish an Authority Disciplinary Panel with a Membership of the Chair and three other Members one from each Constituent Council;
- b) the Disciplinary Panel shall have the power to suspend a statutory officer from duties on full pay and conditions for no more than two months unless extended by the Authority;
- c) The Disciplinary Panel will utilise and commission an independent person as would be used by the Constituent Councils for investigation of their statutory officers from a list held by the Joint National Conditions for the purpose of evidence collection and investigation, to be presented by the Independent Investigator to the Panel as a report.

- d) When determining the report of an Independent Investigator, the membership of the Panel shall be extended to include at least two Independent Persons appointed by the Council under the Localism Act 2011. In the event that the Disciplinary Panel shall consider disciplinary action should be taken they shall present their recommendations to the Authority which before making a decision shall permit the officer to make representations.
- e) No other disciplinary action may be taken in respect of any of those statutory officers except in accordance with a decision of the Disciplinary Panel acting upon a recommendation in a report made by the independent person

6.5 The Land Acquisitions and Disposals Rules (Part D5) have been changed to take account of the recent restructure of Barking and Dagenham's property services incorporated into a company. As a result, the Authorities rules have been amended to enable the use of an independent surveyor as a valuer.

Part E which contains Codes of Conduct has been re-written throughout. It commences with setting out the Nolan principles of selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The structure of this part emphasis the importance of standards and integrity. It now covers key areas of

- a) data protection, information handling and confidentiality;
- b) equality;
- c) health and safety;
- d) whistleblowing;
- e) the need to ensure that processes and relations are transparent and free from conflicts of interest; matters of bribery and corruption, hospitality use of sponsorship; and
- f) the need for political neutrality is covered.

6.6 Part E sees a new addition of a Member – Officer protocol. This aim of the protocol is to describe the relationships, roles and behaviours which should exist between elected Members and the officers and employees in a modern, well run Joint Authority. The protocol provides guidance on how the complementary but very different roles of Members, officers and employees should work. To do this most effectively, Members, officers and employees need to work together in a manner which combines their essential skills, knowledge and experience in a way which produces the best outcomes for individuals and communities and which is fair, sustainable and responsive. Equalities, natural justice and reasonableness are strong underlying intentions throughout it addresses:

- a) the primary role of both Members, officers and employees being to carry out the functions of a statutory joint waste authority and serve the local communities of the Constituent Councils to the best of their abilities;
- b) the importance of both Members, officers and employees respecting their distinctive roles for relations to be clear and appropriate;
- c) that Members are responsible for determining policy and the Authority's strategic direction; officer and employees are responsible and accountable for suggesting and implementing policy and delivering services.

6.7 Following the Modern Slavery Act 2015, there will be a need to publish the Authority's approach to the elimination of slavery and human trafficking this will be included in the Constitution. This Act requires that any commercial organisation in any sector, which supplies goods or services, and carries on a business or part of a business in the UK, and is above a specified total turnover, must produce a slavery and human trafficking statement for each financial year of the organisation. For the purposes of this requirement, 'supply chain' has its everyday meaning. Regulations have set the total turnover threshold at £36m. The statement must set out what steps they have taken during the financial year to ensure that modern slavery is not occurring in their supply chains and in their own organisation.

6.8 Finally, once the content has been completed the aim is to improve the accessibility of the Constitution to users by greater use of tables providing at a glance details of thresholds and decision making.

7. Conclusion:

7.1 Progress is being made with revision to the Constitution and the final version will be presented to Members at the February 2019 Authority meeting. The reasons for the review is to ensure that the Authority has robust and fit for purpose governance arrangements at a critical time for its future strategy.

8. Relevant officer:

8.1 Suzan Yildiz, Monitoring Officer of ELWA & Deputy Head of Legal (LBBD) / 0208 227 5364 / e-mail: suzan.yildiz@lbbd.gov.uk

9. Appendices attached:

9.1 None.

10. Background papers:

10.1 None.

11. Legal considerations:

11.1 The Managing Director has delegated authority under Part C, Section B, para 1.1(m) of the Authority's Constitution to approve minor and administrative changes to the Constitution and has acted on this authority to approve the minor revisions to the Constitution (rev. June 2018).

11.2 Under Part C, Section A, paragraph 1.2(a) of the Constitution the function of adopting and changing the Constitution is reserved to the Authority following recommendations on revisions by the Monitoring Officer. Following a comprehensive review, the findings of that review together with recommendations to adopt a revised Constitution will be presented to Members for approval at the February Authority meeting.

11.3 As observed in the body of this report the Authority is required to produce a Modern Slavery Statement. This will be in due course incorporated into the Constitution and a draft proposal will be presented for the Authority's consideration at the next Authority meeting.

12. Financial considerations:

12.1 None currently. The financial implications of a future comprehensive review will be considered and reported to the Authority when the substantive review and recommendations to make revisions are presented for approval.

13. Performance management considerations:

13.1 The future comprehensive review would support the strategic direction of ELWA as to its future waste strategy by ensuring sound and agile governance arrangements.

14. Risk management considerations:

14.1 The administrative revisions made under delegated authority by the Managing Director aid clarity and user-friendliness of the current Constitution. They do not involve substantive changes which raise governance, legal or financial risks.

15. Equalities considerations:

15.1 Equality impacts have been identified and the report is for noting only at this stage.

16. Follow-up reports:

16.1 A report on the comprehensive review and substantive revisions to the Constitution will be reported to Members for approval at an Authority meeting before the end of the financial year 2018-19.

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

17.1 <http://www.eastlondonwaste.gov.uk>

18. Glossary:The Authority = East London Waste Authority

LBBD = London Borough of Barking & Dagenham

19. Reviewed by Management Board:

19.1 05 November 2018.

20. Confidentiality:

20.1 Not applicable.

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By virtue of paragraph 3 of Part 1,
Schedule 12A of the
Local Government Act 1972 (as amended)

Agenda Items 12, 13 & 14

THE CIRCULATION OF AGENDA ITEMS 12, 13 AND 14 HAS BEEN RESTRICTED
TO MEMBERS AND SPECIFIC OFFICERS ONLY