NOTICE OF ANNUAL GENERAL MEETING

Monday, 23 June 2014 – Civic Centre, Dagenham – 10.00am
An informal introductory briefing session for Members will take place between 9.30 – 10.00 am

Members
Councillor Ken Clark, Councillor I Corbett, Councillor Steven Kelly, Councillor Lynda Rice, Councillor Jeff Wade

Mark Ash 13/06/2014
Acting Managing Director

Tel: 020 8724 5614
E-mail: mark.ash@eastlondonwaste.gov.uk

AGENDA

1. Appointment of Chairman, Vice Chairman & ELWA Limited ‘A’ Director for the year 2014/15. (Pages 1-4)
   The Acting Managing Director shall invite nominations and conduct the vote for the positions of Chairman and Vice Chairman of the Authority and ‘A’ Director of ELWA Limited.

2. Apologies for absence.

3. 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.

4. Minutes – To confirm as correct the minutes of the meetings held on 10 February 2014 (Pages 5 – 8).

5. Membership 2014/15. (Pages 9 – 10)

6. Nominations under Section 41 of the Local Government Act 1985 of Members to answer questions on behalf of ELWA at their respective constituent council proceedings. (Pages 11 – 12)

   The Authority’s External Auditors will be attending for this item.


12. Dates of next meetings:
   - 15/09/14  Annual Governance & Statement of Accounts (required by 30/09/2014),
   - 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.

   It is proposed to hold a one day informal workshop on a date to be agreed between 14 & 31 July.

13. Any other public items which the Chair decides are urgent.

14. 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).

15. Briefing Paper for Members. (Pages 63 – 70)
    This report has been restricted to Members and specific officers only.

    This report has been restricted to Members and specific officers only.

17. Increased Diversion from Landfill Proposal. (Pages 93 – 112)
    This report has been restricted to Members and specific officers only.

    This report has been restricted to Members and specific officers only.

19. Any other confidential or exempt items which the Chairman decides are urgent
AUTHORITY REPORT: APPOINTMENT OF CHAIRMAN, VICE CHAIRMAN AND ELWA LIMITED “A” DIRECTOR FOR THE YEAR 2014/15

1. Confidential Report
1.1 No

2. Recommendations:
2.1 To agree the appointments of ELWA Chairman and Vice Chairman and ELWA Limited “A” Director and Alternate ‘A’ Director for the year 2014/15.

3. Purpose
3.1 To agree the appointments of Chairman, Vice Chairman and “A” Director for ELWA Limited for the year 2014/15

4. Background
4.1 The ELWA Constitution is the corporate governance document by which ELWA operates and Article 1 of Part B of the Constitution sets out the election process for ELWA Member positions.

4.2 Under the Constitution, appointments to the position of Chairman, Vice-Chairmen are the first business to be made at ELWA’s AGM. It is also the practice to appoint the “A” Director to ELWA Ltd at the AGM.

4.3 Appointments to the positions of Chair and Vice-Chair are to be made by the Authority by resolution passed by a majority of the Members of the Authority present at the AGM, provided at least one Member each from three of the Constituent Councils votes in favour.

4.4 The Constitution further provides that in making the appointments to the positions of Chairman and Vice Chairman, the Authority shall endeavour as best as possible to ensure that the positions of Chairman and Vice Chairman are not occupied in any one year by the two Member representatives of the same Constituent Council.

4.5 The positions of Chairman and Vice Chairman are held for one year but office holders are eligible to be re-appointed for periods of up to two years each.

4.6 In addition Members, at their meeting on 07 February 2011, decided to adopt the following succession planning regime (protocol) to ensure that each constituent Council has an opportunity of leading and chairing Authority meetings.

<table>
<thead>
<tr>
<th>Year</th>
<th>ELWA Chairman</th>
<th>ELWA Vice-Chairman</th>
<th>ELWA Ltd ‘A’ Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2011</td>
<td>LBH</td>
<td>LBBBD</td>
<td>LBN</td>
</tr>
<tr>
<td>2011-2012</td>
<td>LBH</td>
<td>LBBBD</td>
<td>LBN</td>
</tr>
<tr>
<td>2012-2013</td>
<td>LBBBD</td>
<td>LBR</td>
<td>LBH</td>
</tr>
<tr>
<td>2013-2014</td>
<td>LBBBD</td>
<td>LBR</td>
<td>LBH</td>
</tr>
<tr>
<td>2014-2015</td>
<td>LBR</td>
<td>LBN</td>
<td>LBBBD</td>
</tr>
<tr>
<td>2015-2016</td>
<td>LBR</td>
<td>LBN</td>
<td>LBBBD</td>
</tr>
<tr>
<td>2016-2017</td>
<td>LBN</td>
<td>LBH</td>
<td>LBR</td>
</tr>
</tbody>
</table>
4.7 The protocol assumes that the appointed members remain in office for the duration of their appointment and the Authority benefits from the continuity and experience of previous-serving ELWA Members.

4.8 If the protocol were to be followed, the office holders for the year 2014/15 would have been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>ELWA Chairman</th>
<th>ELWA Vice-Chairman</th>
<th>ELWA Ltd ‘A’ Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017-2018</td>
<td>LBN</td>
<td>LBH</td>
<td>LBR</td>
</tr>
<tr>
<td>2018-2019</td>
<td>LBH</td>
<td>LBBD</td>
<td>LBN</td>
</tr>
<tr>
<td>2019-2020</td>
<td>LBH</td>
<td>LBBD</td>
<td>LBN</td>
</tr>
</tbody>
</table>

However, recent changes to the membership by the constituent councils demonstrates that it may not always be possible to strictly follow the rotation protocol. Members may therefore be of the view that they wish to review and/or revise the protocol and/or its application.

4.9 Further, the Constitution also provides for the appointment of a person to the post of “A” Shareholder Director (A Director) on ELWA Ltd. There are no restrictions as to who the Authority may appoint to this role. However, under the protocol, it was agreed that this should be the immediate past Chairman of the Authority.

4.10 Most meetings of ELWA Ltd require the presence of the A Director in order for a meeting to be quorate. The Articles of Association of ELWA Ltd make provision for ELWA to appoint an Alternate (substitute) Director for the A Director in the event the A Director is unable to attend meetings. The Authority is going through a period of change during which sensitive discussions will need to be had with ELWA Ltd as the IWMS contractor. As a director on the board of ELWA Ltd, the A Director will have statutory and fiduciary duties to ELWA Ltd which could result in potential conflict of interest issues arising. In order to minimise the risk of such conflict arising, Members may wish to consider appointing the Managing Director or another of the ELWA Directors to the role of Alternate Director.

5. Relevant officer:
Eldred Taylor-Camara / e-mail: eldred.taylor-camara@lbbd.gov.uk / 020 8227 3344

6. Appendices attached:
6.1 None
7. **Background Papers:**
2010 - ELWA Constitution
14 May 2012 – Minute 2012/1
07 Feb 2011 - Governance Arrangements - Chairman Succession Plan - Report & Minute 2010/55
21 June 2010 – Appointment of ELWA Limited “A” Director – Report & Minute 2010/6

8. **Legal Considerations:**
8.1 This report was prepared by the Monitoring Officer and Legal Adviser to the Authority and the legal implications have been incorporated in the body of the report.

9. **Financial Considerations:**
9.1 None

10. **Performance Management Considerations:**
10.1 None

11. **Risk Management Considerations:**
11.1 None

12. **Equalities considerations:**
12.1 The equalities impact assessment identified no matters of concern.

13. **Follow-up Reports:**
13.1 Annual

14. **Websites and e-mail links for further information:**
14.1 None

15. **Glossary:**
LBBD = London Borough of Barking & Dagenham
LBH = London Borough of Havering
LBN = London Borough of Newham
LBR = London Borough of Redbridge
ELWA = East London Waste Authority

16. **Approved by Management Board:**
16.1 09 June 2014

17. **Confidentiality:**
17.1 Not applicable
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AUTHORITY MINUTES: MONDAY 10 FEBRUARY 2014 (9.30AM – 10.10AM)

Present:
Councillor H Collins, Councillor R Crawford, Councillor S Kelly, Councillor M McCarthy (Chairman), Councillor K Prince (Vice Chairman) and Councillor B Tebbutt.

46. Welcome & Apologies for Absence
The Chairman extended a welcome to all at the meeting. An apology for absence was received from Councillor I Corbett and Councillor A Choudhury. The Finance Director had been unavoidably delayed and Members agreed to proceed with the meeting and receive his reports in his absence.

47. Declaration of Members’ Interests
There were none declared.

48. Minutes of previous meeting (25/11/13)
Members confirmed as true and accurate the minutes of the Authority meeting held 25 November 2013 and the Chairman was authorised to sign the same.

49. Contract Monitoring to 31 December 2013
Members received the Contract Manager’s positive report summarising the first 9 months’ performance. The report contained a summary for the period to end December, a forecast of year end performance, details of contract monitoring and contamination in recycling.

The Acting Managing confirmed that the Authority was in a good position in relation to tonnages. The impact of higher population levels had been accounted for in the budget and recycling figures had slightly reduced due to lower collected tonnages and issues with contamination.

Officers had focused heavily on diversion from landfill during this period and as a result of pressure on the contractor more outlets for Solid Recovered Fuel / Refuse Derived Fuels had been found. The contractor had enhanced the infrastructure with a new Bailer and Shredder at no cost to the Authority. The increased focus by officers on diversion from landfill had resulted in performance figure of 74.4% (year to date). High levels of diversion had been maintained and it was thought that more diversion was to be had at the Reuse and Recycling Centres.

Officers were congratulated.

Members noted the report.

50. Date of Next Meeting
Members noted the date of the next meeting as 23 June 2014.

51. Revenue & Capital Budgets and Levy 2014/15

The Acting Managing Director set out the key issues in the Finance Director’s regular report and Appendices and drew Members’ attention to them. The Finance Director had recommended an average levy increase of 1.9% for ELWA. The proposed levy change for each of the constituent councils varied from the average, reflecting changes in relative tonnages and Band ‘D’ numbers. Members’ attention was drawn to the apportionment table at paragraph 8.11 and the robustness and prudent approach taken to reserves. He touched on the risks of the financial challenges facing the Authority over the next few years which included minimization of landfill costs, achieved contract performance targets, cuts in government funding, major technology failure, new legislation and compliance with current regulations.

The Finance Director had reported that he was comfortable that the risks and uncertainties had been addressed when setting the budget and levy and that the reduction in reserves was based on the fact that the Authority’s costs would continue to reduce. The levy assumed a...
net transfer of £1.9m from PFI reserves with £1.5m of drawings from revenue reserves. £1m from 2012/13 and 2013/14 would be used to mitigate the Levy increase in 2014/15.

**Members have received** and considered the report concerning the estimates and the levy for 2014/15 and the underlying cost pressures, legal background and levy apportionment, together with the particular issues that apply. Members have also considered the issues relating to contingencies and reserves, including the risk analysis.

Members briefly discussed current negotiations with the Contractor on the question of commercial waste tonnages. The cessation of Landfill tax due this year was also briefly discussed.

**Members agreed** the following:

a) The revenue budget for 2014/15, totaling £56,465,000 excluding contributions from reserves;

b) The charges for commercial and industrial waste for 2014/15;

   Commercial and Industrial Waste – recycled £75 per tonne
   Commercial and Industrial Waste – other £139 per tonne

c) That on the basis of (a) and (b) above, ELWA determines its levy for 2014/15 as the sum of £48,060,000 (an increase of 1.9%);

d) The policy on reserves and associated criteria;

e) The continuation of existing arrangements for the payment of the levy and commercial and other waste charges.

f) the Authority and Constituent Councils would lobby HM Treasury with regard to Landfill Tax. ELWA Officers were asked to prepare a letter and to circulate it to the Constituent Councils for their officers to follow suit.

52. **Budgetary Control to 31 December 2013**

The Acting Managing Director presented the Finance Director’s regular budgetary control report comparing actual expenditure with the revenue budget approved by Members in February 2013. He reported a net under spend of £182k to date and a year-end net expenditure of £499,000 less than budget which should be used to offset the Levy increase.

**Members noted** the report.


The Acting Managing Director presented the Finance Director’s standard statutory report and appendices. The report provided information on new borrowing requirements, debt management arrangement, a minimum revenue provision policy statement, annual investment strategy, the treasury management policy statement and the prudential indicators.

He advised that the Authority may need to make arrangements during the year to finance expenditure relating to any possible restoration works identified in the ongoing review of the landfill sites. He confirmed that interest rates were low. £400,000 was the amount to be set aside as the borrowing requirement for 2014/15. This was to be used only if needed and with the agreement of Members. Investments were secure and in line with governance arrangements.

Members enquired as to the recovery of the Icelandic Bank funds and whether this had been put back into reserves. It was believed that 95% had been recouped. Members confirmed that they could not afford to make high risks investment.

**Members agreed** the following recommendations:

a) The Borrowing Strategy for 2014/15 as set out in Paragraph 8;
b) The Minimum Revenue Provision Policy Statement for 2014/15 as set out in Paragraph 9;
c) The Annual Investment Strategy for 2014/15 as set out in Paragraph 10;
d) The Treasury Management Policy Statement as set out in Appendix A;
e) The Prudential Indicators for Treasury Management as set out in Paragraph 18.

54. Dates of next meetings

Members noted the dates of 23 June 2014 (AGM) and 15th September 2014.

55. 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).

56. Contract Renegotiation

The Acting Managing Director presented his confidential report providing commentary on the complexities of the Defra review including financial risks and bringing them up to date with progress. The Members considered and discussed the proposals for moving forward.

Members have agreed that these are in line with what they wanted to achieve and have therefore agreed the recommendations as set out in paragraph 2.1 (a) & (b) of the report.

57. ELWA Limited 21/01/14 Board Agenda

Members noted the content of the Agenda pack.

58. Other Confidential Business

None.

Conscious that the membership may change due to the coming elections this year, the Chairman thanked Members for their support to date.

Minutes agreed as a true record.

Chair: ........................................

Date: .................................
AUTHORITY REPORT: MEMBERSHIP 2014/15

1. Confidential Report
1.1 No

2. Recommendation:
2.1 Members are asked to note this report and request officers to arrange letters of thanks to be sent to outgoing Members.

3. Purpose
3.1 To note the appointment of new Members for the year 2014/15 and to offer thanks to those Members who have not been reappointed to the Authority for the municipal year 2014/15.

4. Background
4.1 The Constitution is the corporate governance document by which ELWA operates and, Section A, paragraphs 4.1 to 4.5 and Section B, paragraphs 3.1 and 3.2 of the Constitution set out details of member appointments to ELWA.

5. Current Position
5.1 LBBD, LBH, LBN and LBR have each given notice to ELWA that they have replaced their appointees for the year 2014/15 as follows:

<table>
<thead>
<tr>
<th>London Borough</th>
<th>Previous Representative</th>
<th>Current Representative</th>
<th>Confirmed</th>
</tr>
</thead>
</table>
| Barking & Dagenham | Councillor Herbert Collins  
                      | Councillor Mick McCarthy | Councillor Lynda Rice  
                      | Councillor Jeff Wade    | 10/06/14        |
| Havering            | Councillor Steven Kelly  
                      | Councillor Barry Tebbutt | Councillor Steven Kelly  
                      | Councillor ... tba      | 12/06/14 After 26/06/14 |
| Newham              | Councillor IanCorbett    
                      | Councillor Richard Crawford | Councillor Ian Corbett  
                      | Councillor Ken Clark    | 10/06/14        |
| Redbridge           | Councillor Keith Prince  
                      | Councillor Aziz Choudhury | Councillor ... tba  
                      | Councillor ... tba      | After 13/06/14   |

6. Member Induction
6.1 All new Members will be provided with an Induction Pack and will be given an opportunity to visit the key waste facilities at Frog Island and Jenkins Lane with Officers.

6.2 In addition, elsewhere on this agenda, a confidential briefing paper has been included to provide Members with valuable information and a potted history of the key events to date to keep momentum moving forward and to aid Members make decisions on the reports presented at this meeting.

7. Conclusion
7.1 Members have been asked to note the changes in the composition of ELWA’s membership and the appointments made in accordance with the Constituent Councils’ internal procedures and ELWA’s Constitution.

8. Relevant officer:
Shirley-Ann Gray / shirley.gray@eastlondonwaste.gov.uk / 0208 724 5803
9. Appendices attached:
None

10. Background Papers:
ELWA Constitution http://www.recycleforyourcommunity.com/includes/documents/cm_docs/2013/e/elwa_constitution.pdf

11. Legal Considerations:
11.1 S.31 of the Local Government Act 1985 makes provision for the replacement of members to a joint authority such as ELWA. Under the Act, a constituent council may at any time terminate the appointment of a person appointed by it to a joint authority and appoint another member of the council in his/her place. Where a constituent council exercises its powers of replacement it must give notice of the new appointment and of the termination of the previous appointment to the authority to which those appointments were made.

11.2 This report confirms the appointments of Members from the Constituent Councils to ELWA as notified to the Authority, subject where appropriate, to formal confirmation following formal Council ratification

12. Financial Considerations:
12.1 None.

13. Performance Management Considerations:
13.1 None.

14. Risk Management Considerations:
14.1 Members should be aware of potential conflicts of interests and declare any such interests when undertaking ELWA business

15. Follow-up Reports:
23/06/14 Nominations under Section 41 of the Local Government Act 1985 report

16. Websites and e-mail links for further information:
http://www.recycleforyourcommunity.com/waste_authority/default.aspx

17. Glossary:
LBBD = London Borough of Barking & Dagenham
LBH = London Borough of Havering
LBN = London Borough of Newham
LBR = London Borough of Redbridge
ELWA = East London Waste Authority

18. Approved by management board:
18.1 09 June 2014

19. Confidentiality:
19.1 None
AUTHORITY REPORT: NOMINATIONS UNDER SECTION 41 OF THE LOCAL GOVERNMENT ACT 1985

1. Confidential Report
1.1 No

2. Recommendation:
2.1 In accordance with Section 41 of the Local Government Act 1985, the Authority is recommended to nominate from its membership, one Member from each of the Constituent Councils, to answer questions on behalf of the Authority, put by other Members of the Constituent Councils in the course of council proceedings, pertaining to the discharge of the Authority’s functions for the year 2014/15.

3. Purpose
3.1 To seek nominations from ELWA as to which Members shall be responsible for answering questions on behalf of ELWA at their respective constituent council proceedings.

4. Background
4.1 Section 41 of the Local Government Act 1985 requires that, as a statutory Waste Disposal Authority, ELWA should make arrangements (whether by standing orders or otherwise) for enabling questions on the discharge of the functions of a joint authority to be put in the course of the proceedings of any constituent council by members of that council for answer by a member of it who is also a member of the authority and is nominated by the authority for that purpose. What this means is that ELWA, as a joint authority, must nominate from its membership, a Member from each of the four Constituent Councils as the person who will, on behalf of ELWA, answer questions put by other Members of the Constituent Councils in the course of council proceedings, pertaining to the discharge of ELWA’s functions. This is a mandatory statutory requirement.

4.2 The usual practice has been for ELWA to nominate ELWA Members who are the respective council’s lead Member for Environment/Waste to answer questions on behalf of ELWA. Members may wish to consider continuing that practice.

5. Relevant officer:
Eldred Taylor-Camara / e-mail: eldred.taylor-camara@lbbd.gov.uk / 020 8227 3344

6. Appendices attached:
6.1 None

7. Background papers:
7.1 Local Government Act 1985

8. Legal considerations:
8.1 This report was prepared by the Monitoring Officer and Legal Adviser to the Authority and there are no legal issues to mention.

9. Financial considerations:
9.1 There are no additional financial implications for ELWA arising from the recommendation in this report.

10. Performance management considerations:
10.1 None

11. Risk management considerations:
11.1 None
12. Equalities considerations:
12.1 The equalities impact assessment identified no matters of concern.

13. Follow-up reports:
13.1 None

14. Websites and e-mail links for further information:
14.1 None

15. Glossary:
Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.
ELWA / the Authority = East London Waste Authority

16. Approved by management board:
16.1 09 June 2013

17. Confidentiality:
17.1 No
AUTHORITY REPORT: EXTERNAL AUDIT PLAN 2013/14

1. Confidential Report
   1.1 No

2. Recommendation:
   2.1 Members are asked to note and agree PricewaterhouseCooper’s (PwC) External Audit plan.

3. Purpose
   3.1 To consider the external auditor’s Audit Plan, for the period 1st April 2013 to 31st March 2014, including the audit of the 2013/14 final accounts.

4. Background
   4.1 The audit plan is attached at Appendix A. This has been reviewed by officers and considered to be an acceptable scope of work.
   4.2 The indicative audit fee is £18,270. This is the same as the fee in 2012/13.
   4.3 At the time of writing this report, the main audit has yet to begin. Some initial systems testing has been carried out. Detailed work on the Statement of Accounts will take place in July and August 2014.

5. Relevant officer:
   Geoff Pearce, Finance Director / Geoff.pearce@redbridge.gov.uk / 0208 708 3588

6. Appendices attached:
   6.1 Appendix A – PwC 2013/14 Audit Plan

7. Background papers:
   7.1 None

8. Legal considerations:
   8.1 None

9. Financial 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. Performance management considerations:
    10.1 None

11. Risk management considerations:
    11.1 The decision to agree PwC’s External Audit plan should help mitigate the following strategic risks:
        a) S8 – Contract no longer affordable.
        b) S9 – Insufficient financial reserves to meet unforeseen circumstances.
    11.2 The decision to agree the External Audit plan should help mitigate the following operational risk:
        a) O13 – Fraudulent activity (both in terms of the contract and internal).

12. Equalities Considerations:
    12.1 The equalities impact assessment identified no matters of concern.

13. Follow-up reports:
    13.1 None.

14. Websites and e-mail links for further information:
    14.1 None.

15. Glossary:
    15.1 PwC – PriceWaterhouseCoopers
16. **Approved by Management Board:**

16.1 09 June 2014

17. **Confidentiality:**

17.1 Not applicable.
In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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<td>Appendix E: Other engagement information</td>
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</table>
Executive summary

Background
We have prepared this audit plan to provide the Authority of East London Waste Authority (the ‘Authority’) with information about our responsibilities as external auditors and how we plan to discharge them for the audit of the financial year ended 31 March 2014.

Framework for our audit
We are appointed as your auditors by the Audit Commission as part of a national framework contract and consequently we are required to incorporate the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for local government bodies (the ‘Audit Code’) as well as the requirements of International Standards on Auditing (UK & Ireland) (‘ISAs’).

The remainder of this document sets out how we will discharge these responsibilities and we welcome any feedback or comments that you may have on our approach.

We look forward to discussing our report with you on 23 June 2014. Attending the meeting from PwC will be Ciaran McLaughlin and Malcolm Farnan.

Our Responsibilities
Our responsibilities are as follows:

- Perform an audit of the accounts in accordance with the Auditing Practice Board’s International Standards on Auditing (ISAs (UK&I)).
- Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.
- Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.
- Consider the completeness of disclosures in the Authority’s annual governance statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.
- Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.
- Determine whether any other action should be taken in relation to our other responsibilities under the Audit Commission Act.
- Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.
Our audit engagement begins with an evaluation of the Authority on our ‘acceptance & continuance database’ which highlights an overall engagement risk score and highlights areas of heightened risk.

Audit approach

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2013/14 prior to considering the impact of controls, as required by auditing standards, which also draws on our understanding of your business.

We determine if risks are significant, elevated or normal and whether we are concerned with fraud, error or judgement as this helps to drive the design of our testing procedures:

- **Significant**  Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration.

- **Elevated**    Although not considered significant, the nature of the balance/area requires specific consideration.

The table below highlights all risks which we consider to be either significant or elevated in relation to our audit for the year ended 31 March 2014.
Main Council Audit

<table>
<thead>
<tr>
<th>Risk</th>
<th>Categorisation</th>
<th>Audit approach</th>
</tr>
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</table>
| Management override of controls          | Significant    | As part of our assessment of your control environment we will consider those areas where management could use discretion outside of the financial controls in place to misstate the financial statements. We will also understand and evaluate controls relevant to the management override risks identified above. We will perform procedures to:  
- Test the appropriateness of journal entries and other adjustments to the general ledger, targeting higher risk items such as those that affect the reported deficit/surplus.  
- Test accounting judgements that affect the General Fund for bias and evaluate whether judgment and estimates used are reasonable (for example pension scheme assumptions, valuation and impairment assumptions, bad debts, accruals and provisions).  
- Consider if there have been significant transactions outside the normal course of business, and if there have, whether their rationale suggests fraudulent financial reporting or asset misappropriation.  
- Test that expenditure has been recorded in the correct financial year.  
- Test repairs and maintenance invoices for correct classification between revenue and capital.  
- Consider whether any segregation of duties weaknesses give rise to a significant risk of material misstatement.  
- Test that the reversal of items debited or credited to the Comprehensive Income and Expenditure Statement are in accordance with statute.  
- Review the appropriateness of accounting policies and estimation bases, focusing on any changes not driven by amendments to reporting standards; and  
- Perform unpredictable procedures targeted on fraud risks.  
We may perform other audit procedures if necessary. |

ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. In every organisation, management may be in a position to override the routine day to day financial controls.

Accordingly, for all of our audits, we consider this risk and adapt our audit procedures accordingly.

We consider the manipulation of financial results through the use of journals and bias in management estimates, such as asset valuations and accruals as significant fraud risks.
<table>
<thead>
<tr>
<th>Risk</th>
<th>Categorisation</th>
<th>Audit approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Risk of fraud in revenue and expenditure recognition</strong></td>
<td>Significant</td>
<td>We will obtain an understanding of and evaluate the controls relevant to the significant risks described above.</td>
</tr>
<tr>
<td>Under ISA (UK&amp;I) 240 there is a presumption that there are risks of</td>
<td></td>
<td>We will perform detailed testing of revenue and expenditure transactions, focussing on the areas we consider to be of greatest risk.</td>
</tr>
<tr>
<td>fraud in revenue recognition.</td>
<td></td>
<td>We will evaluate and test the accounting policy for income and expenditure recognition to ensure that this is consistent with the requirements of the Code of Practice on Local Authority Accounting.</td>
</tr>
<tr>
<td>We extend this presumption to the recognition of expenditure in local</td>
<td></td>
<td></td>
</tr>
<tr>
<td>government.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to their nature, we do not consider the receipt of Levy, PFI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>grant or financing income to be a significant risk and these income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>streams are therefore excluded from this category.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>We will consider expenditure streams on an individual basis and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>focus our work on those streams most susceptible to incorrect</td>
<td></td>
<td></td>
</tr>
<tr>
<td>recognition in the financial statements. We would expect the areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of contracts, leases and other financial arrangements to be the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>main areas of focus for our audit of the Authority. We do not</td>
<td></td>
<td></td>
</tr>
<tr>
<td>consider payroll expenditure, depreciation and impairment or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>pension costs recognised due to IAS19 or interest expenditure to be</td>
<td></td>
<td></td>
</tr>
<tr>
<td>areas of significant risk.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Valuation of the Materials Recycling Facility and Landfill Sites

The Materials Recycling Facility (MRF) is held at depreciated replacement cost, which has not been revalued since 2009/10. In addition, there are 4 non-operational landfill sites. Economic conditions continue to be uncertain, which has a potential for impairment of your assets.

There is a requirement to assess the carrying value of your assets for impairment every year and under ISAs (UK&I) 500 and 540 we are required to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Categorisation</th>
<th>Audit approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Authority measures its property, plant and equipment (PP&amp;E) at fair value involving a range of assumptions and the use of external valuation expertise. ISAs (UK&amp;I) 500 and 540 require us, respectively, to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.</td>
<td>Elevated •</td>
<td>The accuracy and completeness of detailed information on assets.</td>
</tr>
<tr>
<td>Specific areas of risk include:</td>
<td></td>
<td>Whether the Authority’s assumptions underlying the classification of PP&amp;E are appropriate.</td>
</tr>
<tr>
<td>□ The accuracy and completeness of detailed information on assets.</td>
<td></td>
<td>Whether PP&amp;E that are no programmed to be revalued in the year might have undergone material changes in their fair value.</td>
</tr>
<tr>
<td>□ Whether the Authority’s assumptions underlying the classification of PP&amp;E are appropriate.</td>
<td></td>
<td>The valuer’s methodology, assumptions and underlying data, and our access to these.</td>
</tr>
<tr>
<td>□ Whether PP&amp;E that are no programmed to be revalued in the year might have undergone material changes in their fair value.</td>
<td></td>
<td>Where asset valuations are undertaken in year we will:</td>
</tr>
<tr>
<td>□ The valuer’s methodology, assumptions and underlying data, and our access to these.</td>
<td></td>
<td>□ Agree the source data used by your valuer to supporting records; assess the work of your valuer through use of our own internal valuation specialists where required; and</td>
</tr>
<tr>
<td>□ Where any changes to valuation bases are proposed we will work with you to understand and evaluate the rationale you are using on a timely basis.</td>
<td></td>
<td>□ agree the outputs to your Fixed Asset Register and accounts.</td>
</tr>
<tr>
<td>□ Where assets are not re-valued in year, we will review your impairment assessment, and evaluate whether your assets are held at an appropriate value in your accounts at the year-end.</td>
<td></td>
<td>Where assets are not re-valued in year, we will review your impairment assessment, and evaluate whether your assets are held at an appropriate value in your accounts at the year-end.</td>
</tr>
</tbody>
</table>
**Estimated Overall Materiality*: £1,146,000

**Reporting de minimis: £55,000**

<table>
<thead>
<tr>
<th>Materiality</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated overall materiality*</td>
<td>1,146,000</td>
</tr>
<tr>
<td>Clearly trivial reporting de minimis</td>
<td>55,000</td>
</tr>
</tbody>
</table>

* based on 2% of gross expenditure from the 12/13 accounts. This is deemed appropriate due to the history of few audit adjustments and no significant changes to the risk profile of the Authority.

We set an estimated overall materiality to assist our planning of the overall audit strategy and to assess the impact of any adjustments identified.

Overall materiality will be set at 2% of gross expenditure for the year ended 31 March 2014. We will update this assessment as necessary in light of the Authority’s actual results.

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are “clearly trivial” i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. We would like to seek the Authority’s views on this de minimis threshold.
Robust Testing
Where we do our work
As previously mentioned our audit is risk based which means we focus our work on those areas which, in our judgement, are most likely to lead to a material misstatement. In summary, we will:

- Consider the key risks arising from internal developments and external factors such as policy, regulatory or accounting changes;
- Consider the robustness of the control environment, including the governance structure, the operating environment, the information systems and processes and the financial reporting procedures in operation;
- Understand the control activities operating over key financial cycles which affect the production of the year-end financial statements;
- Validate key controls relevant to the audit approach; and
- Perform substantive testing on transactions and balances as required.

When we do our work
Our audit is designed to quickly consider and evaluate the impact of issues arising to ensure that we deliver a no surprises audit at year-end. This involves early testing at an interim stage and open and timely communication with management to ensure that we meet all statutory reporting deadlines. We engage early, enabling us to debate issues with you. We have summarised our formal communications plan in Appendix B.

Value for Money Work
Our value for money code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Annual Governance Statement
Local Authorities are required to produce an Annual Governance Statement (AGS), which is consistent with guidance issued by CIPFA / SOLACE: “Delivering Good Governance in Local Government”. The AGS is required to be presented by the Authority with the Statement of Accounts.

We will review the AGS to consider whether it complies with the CIPFA / SOLACE “Delivering Good Governance in Local Government” framework and whether it is misleading or inconsistent with other information known to us from our audit work.

Whole of Government Accounts
We are required to examine the Whole of Government Accounts schedules submitted to the Department for Communities and Local Government and issue an opinion.

The Audit Commission changed the audit requirements in 2011/12 in accordance with its view that a light touch VFM approach at some bodies should be carried out. This results in the following work:

- Reviewing the annual governance statement (AGS);
- Reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor’s responsibilities at the audited body; and
- Other local risk-based work as appropriate, or any work mandated by the Commission.

In line with our statutory duty we are required to conclude whether or not there are any matters arising from our VFM work that we need to report.

We determine a local programme of audit work based on our audit risk assessment, inform...
stating in our view if they are consistent or inconsistent with the Statement of Accounts.

**Meaningful conclusions**

We believe fundamentally in the value of the audit and that audits need to be designed to be valuable to our clients to properly fulfil our role as auditors.

In designing the Authority audit, our primary objective is to form an independent audit opinion on the financial statements; however, we also aim to provide insight.

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also means that we should be giving you value through our observations, recommendations and insights. We have set out some recent developments in Appendix C and we will provide other insights and observations to you in our audit reports throughout the year.

We have also developed a Local Government Centre of Excellence which supports your audit team in all aspects of the audit, including sharing insight and observations gained from audit teams across the country.
## Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

<table>
<thead>
<tr>
<th>Auditors' responsibility</th>
<th>Management's responsibility</th>
<th>Responsibility of the Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our objectives are:</td>
<td>Management’s responsibilities in relation to fraud are:</td>
<td>Your responsibility as part of your governance role is:</td>
</tr>
<tr>
<td>- To identify and assess the risks of material misstatement of the financial statements due to fraud;</td>
<td>- To design and implement programmes and controls to prevent, deter and detect fraud;</td>
<td>- To evaluate management’s identification of fraud risk, implementation of anti-fraud measures and creation of appropriate ‘tone at the top’; and</td>
</tr>
<tr>
<td>- To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and</td>
<td>- To ensure that the entity’s culture and environment promote ethical behaviour; and</td>
<td>- To ensure any alleged or suspected instances of fraud brought to your attention are investigated appropriately.</td>
</tr>
<tr>
<td>- To respond appropriately to fraud or suspected fraud identified during the audit.</td>
<td>- To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Agenda Item 7 - Appendix A
**Conditions under which fraud may occur**

Management or other employees have an incentive or are under pressure

**Incentive pressure**

**Opportunity**
Circumstances exist that provide opportunity – ineffective or absent control, or management ability to override controls

**Rationalisation / attitude**
Culture or environment enables management to rationalise committing fraud – attribute or values of those involved, or pressure that enables them rationalise committing a dishonest act

**Why commit fraud?**

**Your views on fraud**

We enquire of the Authority:

- Whether you have knowledge of fraud, actual, suspected or alleged, including those involving management?
- Whether you are satisfied that you understand the fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- Whether you understand the role you have in relation to fraud?
- Whether the protocols / procedures that have been established between those charged with governance and management to keep you informed of instances of fraud, actual, suspected or alleged are adequate?
Your PwC team

The individuals in your PwC team have been selected to bring you extensive audit experience from working with Local Authorities, the wider public sector and the commercial sector. We also recognise that continuity in the audit team is important to you and the senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

<table>
<thead>
<tr>
<th>Audit Team</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engagement Leader</strong></td>
<td>Ciaran McLaughlin</td>
</tr>
<tr>
<td></td>
<td>4th year on the audit</td>
</tr>
<tr>
<td></td>
<td>020 7213 5253 <a href="mailto:ciaran.t.mclaughlin@uk.pwc.com">ciaran.t.mclaughlin@uk.pwc.com</a></td>
</tr>
<tr>
<td></td>
<td>Engagement Leader responsible for independently delivering the audit in line with the Audit Code (including agreeing the Audit Plan, ISA 260 Report to Those Charged with Governance and the Annual Audit Letter), quality of outputs and signing of opinions and conclusions.</td>
</tr>
<tr>
<td><strong>Engagement Manager</strong></td>
<td>Malc Farnan</td>
</tr>
<tr>
<td></td>
<td>1st year on the audit</td>
</tr>
<tr>
<td></td>
<td>07745 193923 <a href="mailto:malcolm.x.farnan@uk.pwc.com">malcolm.x.farnan@uk.pwc.com</a></td>
</tr>
<tr>
<td></td>
<td>Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, ISA 260 Report and Annual Audit Letter.</td>
</tr>
</tbody>
</table>
The Audit Commission has provided indicative scale fees for Local Authorities for the year ended 31 March 2014. No changes to the work programme have been proposed therefore scale audit fees for the Authority have been set at the same level as the fees applicable for 2012/13.

Our indicative audit fee, as agreed in our audit fee letter dated 18 April 2013, compared to the actual fee for 2012/13 is as follows:

<table>
<thead>
<tr>
<th>Audit fee</th>
<th>Actual fee 2012/13</th>
<th>Indicative fee 2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit work performed under the Code of Audit Practice</td>
<td>18,270</td>
<td>18,270</td>
</tr>
<tr>
<td>Total fees</td>
<td>18,270</td>
<td>18,270</td>
</tr>
</tbody>
</table>

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree in writing;
- We are able to use, as planned, the work of internal audit;
- We do not review more than 3 iterations of the statement of accounts;
- We are able to obtain assurance from your management controls;
- No significant changes being made by the Audit Commission to the local value for money work requirements; and
- Our value for money conclusion and accounts opinion being unqualified.

If these prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed and agreed in advance with you and then the Audit Commission.
Appendices
Appendix A: Independence threats and safeguards

At the beginning of our audit process we are required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters and there are no matters which we perceive may impact our independence and objectivity of the audit team.

Relationships and Investments
Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Therefore at the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Authority, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.
**Appendix B: Communications Plan**

**Planning** (May)
- Discussion of business risks with key management and plan detailed audit approach
- Detailed planning meetings with Finance, HR and IT.
- Audit strategy and timetable agreed with management
- Presentation of the audit strategy to those charged with governance

**Interim** (July)
- Update understanding of key processes and controls
- Key accounting and audit findings/significant deficiencies in internal control identified, discussed and resolved
- Early substantive testing
- Update our planning work

**Completion** (September)
- Management letter to the Authority including report on significant deficiencies in internal control.
- Statutory audit opinions
- Representation Letter
- Annual Audit Letter

**Year end audit** (August)
- Detailed audit testing
- Review of financial statements
- Clearance meetings with management

**Continuous Communication**
- Continuous proactive discussion of issues as and when they arise; ‘no surprises’
- Continuous evaluation and improvement of the audit
- Bringing you experience of sector and best practice
Appendix C: Recent developments

The Future of Government

Delivering on the Citizen Promise
In the face of recurrent budget cuts to reduce fiscal deficits in many countries, affordable government has become the watchword. This means doing more for less – meeting rising citizens' expectations by doing things differently to deliver services more effectively and efficiently.

Where Next for public services?
Public sector organisations need to re-evaluate their purpose and role and decide if current visions and missions, and ways of operating to achieve them, are relevant enough to ride the waves of these shifts, or be overwhelmed by them. Government and public sector organisations will also need to respond to these shifts proactively and pre-emptively, to avoid falling one or more steps behind.

What guides and shapes the future public body?
As such, tomorrow’s public bodies need to navigate themselves by first formulating a strong and clear vision and mission. Together, these will capture the organisation’s strategic ambition and purpose and serve to influence decisions and behaviour within the organisation.

The Local State We’re In

Over the past few years, local government has demonstrated its ability to deliver ambitious and far reaching savings programmes. While council Chief Executives are still holding on to their confidence in meeting savings targets for 2013/14, our third annual local government survey shows that confidence in being able to protect services as well has fallen by 40% over the past year. Beyond 2013/14, confidence in meeting savings targets falls further.

Tough choices are ahead as the cracks begin to show and decisions get closer to the frontline. Councils need to act urgently to transform themselves into agile organisations and shape a role for themselves through a future of continued austerity.
Appendix D: Audit quality

Quality is built into every aspect of the way that we deliver the Authority audit. We take great pride in being your auditors and in the value of assurance that the audit opinion provides. A timely, independent and rigorous audit is fundamental. This in turn necessitates getting the basics right – clarity on audit risks, scope, resource, timetables, deliverables and areas of judgement – which is supported by our team that has extensive experience and relevant training.

The table below sets out some of the key ways in which we ensure we deliver a high quality audit.

<table>
<thead>
<tr>
<th>Procedure</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>People</td>
<td>Quality begins with our people. To ensure that every engagement team provides quality, we use carefully designed protocols for recruiting, training, promoting, assigning responsibility and managing and overseeing the work of our people. We invest significant amounts of time and money for the training and development of our audit professionals. Every new team member is carefully selected to ensure they have the right blend of technical expertise and industry experience to support the Authority audit.</td>
</tr>
<tr>
<td>Client acceptance and retention</td>
<td>Our client acceptance and retention standards and procedures are designed to identify risks of a client or prospective client to determine whether the risks are manageable.</td>
</tr>
<tr>
<td>Audit methodology</td>
<td>The same audit methodology is used for all Local Authority audit engagements, thereby ensuring uniformity and consistency in approach. Compliance with this methodology is regularly reviewed and evaluated. Comprehensive policies and procedures governing our accounting and auditing practice – covering professional and regulatory standards as well as implementation issues – are constantly updated for new professional developments and emerging issues, needs and concerns of the practice.</td>
</tr>
<tr>
<td>Technical consultation</td>
<td>Consultations by engagement teams, typically with senior technical partners unaffiliated with the audit engagement, are required in particular circumstances involving auditing, accounting or reporting matters including matters such as going concern and clinical quality issues. In addition, we regularly consult with our industry specialists in the Local Government Centre of Excellence and our accounting technical experts that sit on the Audit Commission Auditors’ Group.</td>
</tr>
<tr>
<td>Procedure</td>
<td>Description</td>
</tr>
<tr>
<td>--------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Technical updates</td>
<td>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance.                                                                                                                                  These include:</td>
</tr>
<tr>
<td></td>
<td>• A weekly publication covering the week’s accounting and business developments;</td>
</tr>
<tr>
<td></td>
<td>• A periodic publication providing in-depth analysis of significant accounting developments;</td>
</tr>
<tr>
<td></td>
<td>• A publication issued shortly after meetings of standard setters, including IFRIC and the EITF, to provide timely feedback on issues discussed at the meeting.</td>
</tr>
<tr>
<td></td>
<td>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence and weekly conference calls for all Local Authority engagement teams during the final audit period. We will share our technical updates with you throughout the year.</td>
</tr>
<tr>
<td>Independence</td>
<td>PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Authority, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services. Above a certain fee threshold, we then seek approval from the Audit Commission before proceeding with any work.</td>
</tr>
<tr>
<td>standards</td>
<td></td>
</tr>
<tr>
<td>Ethics</td>
<td>Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.</td>
</tr>
<tr>
<td>Independent review</td>
<td>Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2013 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT. As auditors appointed by the Audit Commission we are also required to comply with their annual Regulatory Compliance and Quality Review programme. The results for our 2012/13 audits are expected in early 2014 and will be publicly available on the Audit Commission’s website should you wish to take a look.</td>
</tr>
</tbody>
</table>

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ELWA
**Smart People**
We deploy quality people on your audit, supported by a substantial investment in training and in our industry programme. The members of staff deployed on your audit have been primarily taken from our dedicated Government and Public Sector team. These staff members have a wide and deep knowledge both of the Authority and the local government sector.

Key members of the audit team, notably the engagement leader, have been involved in the audit of the Authority for a number of years. This ensures continuity which is beneficial both for our people and your audit through ensuring that accumulated knowledge remains within the audit team, improving the quality of the audit we deliver.

**Smart Approach**

*Data auditing*
We use technology-enabled audit techniques to drive quality, efficiency and insight.

In 2013/2014 we anticipate the work will include:

- Testing manual journals using data analytics, ensuring we consider the complete population of manual journals and target our detailed testing on the items with the highest inherent risk.

- The production of a journals ‘insight report’ which shows the comparable use of journals across the organisation and explores some of the root causes. We use the data gathered as part of our journals testing to share our findings and observations with management.

**Centre of Excellence**
We have a Centre of Excellence in the UK for Local Government which is a dedicated team of specialists which advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Our team has been working side by side with the Centre of Excellence to ensure we are executing the best possible audit approach.

**Delivery centres**
We use dedicated delivery centres to deliver parts of our audit work that are routine and can be done by teams dedicated to specific tasks; for example these include confirmation procedures, preliminary independence checks and consistency and casting checks of the financial statements.

The use of our delivery centres frees up your audit team to focus on other areas of the audit.

We have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted earlier. We have also agreed with the Audit
Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring. Further information is included in Appendix E.

**Smart Technology**

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC’s Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities.

Aura’s risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key Authority audit cycles.
Appendix E: Other engagement information

The Audit Commission appoint us as auditors to the East London Waste Authority and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors.

There are six further matters which are not currently included within the guidance, but which our firm’s practice requires that we raise with you.

**Electronic communication**

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other’s systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or
in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

**Appointed auditor**

Ciaran McLaughlin, a director in the firm, will discharge the responsibilities of the appointed auditor and in doing so will bind the firm although Ciaran McLaughlin is not a partner.

**Access to audit working papers**

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

**Overseas processing of information**

Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service Delivery Centres in India and Poland for the facilitation of basic audit tasks. Please refer to the letter at the end of this Appendix for further information on the types of tasks we may off-shore. We confirm that:

- When work is off-shored the firm delivering the audit remains entirely responsible for the conduct of the audit. As such the data will be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.

- All firms within the PricewaterhouseCoopers network, including the PwC Service Delivery Centres, have signed an intra-group data protection agreement which includes data protection obligations equivalent to those set out in the EU model contract for the transfer of personal data to data processors outside of the European Economic Area.

- We shall comply at all times with the seventh principle in Part 1 of Schedule 1 to the Data Protection Act 1998.

- Your audit team members will remain your key audit contacts, you will not need to communicate with our overseas delivery teams.

- The audit team members are responsible for reviewing all of the work performed by the overseas delivery teams.

- We already successfully use a UK based delivery centre for financial statements quality checks and that this service will remain in the UK.

If you have any questions regarding this process or if you require further information then please contact Malc Farnan or Ciaran McLaughlin.
Quality arrangements
We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the partner responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Richard Bacon, our Government & Public Sector Assurance Lead Partner at our office at Cornwall Court, Birmingham, B3 2DT, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication
ISA (UK&I) 560 places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.
Dear Ladies and Gentlemen

**Working more efficiently**

As you know the Audit Commission recently tendered the audit work previously delivered by the District Audit service. This realised significant savings which have been passed on to your organisation in a reduction to your scale fee of around 40%.

As a result of this tender, suppliers have sought for opportunities to increase efficiency, whilst maintaining the level of quality. One principle which has recently been established is that certain basic parts of the audit can be off-shored. This is common practice in the private sector. When work is off-shored the firm delivering the audit and thus your audit team, remains entirely responsible for the conduct of the audit. As such the data would be subject to similar data quality control procedures as if the work had not been off-shored, maintaining the security of your data.

Examples of the work that can be off-shored are:

- Request for confirmations (Receivables, Bank or Payables);
- Verification/vouching of information to source documentation (e.g. agreeing a payable balance to invoice);
- Financial statements review;
- Mathematical accuracy checks of data;
- Research; and
- Preparation of lead schedules.
Recently, as with other firms, we have agreed a process with the Audit Commission, under which data can be off-shored to PwC Service delivery Centres in India and Poland for the facilitation of basic audit tasks, as highlighted above. We have agreed with the Audit Commission how this will be regulated, together with their independent review of our internal processes to ensure compliance, with the Audit Commission requirements for off-shoring.

If you have any questions regarding the above, please do not hesitate to get in touch.

Yours sincerely

Ciaran McLaughlin

Engagement Leader
In the event that, pursuant to a request which the East London Waste Authority has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The East London Waste Authority agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the East London Waste Authority shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the East London Waste Authority discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared only for the East London Waste Authority and solely for the purpose and on the terms agreed through our contract with the Audit Commission. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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AUTHORITY REPORT:  INTERNAL AUDIT PROGRESS REPORT 2013/14, AUDIT PLAN 2014/15 AND PLANNED AUDIT COVERAGE TO MARCH 2019

1. Confidential Report
   1.1 No

2. Recommendation:
   2.1 Members are asked to:-
       a) note the audit coverage for 2013/14 as outlined in Section 5;
       b) agree the audit coverage for 2014/15 as outlined in Section 6;
       c) agree the Five Year Strategic Plan set out in Appendix A.

3. Purpose
   3.1 To advise Members of the progress of Internal Audit coverage and findings arising during 2013/14.
   3.2 To seek Members’ comments and agreement to the proposed Internal Audit Plan for 2014/15 and the five-year rolling programme attached at Appendix A.

4. Background
   4.1 The objective and responsibility of the Internal Audit function is to provide Members and ELWA officers with an independent view and assurance concerning the robustness of the systems and procedures within ELWA and in particular for the effective management of the contract with ELWA Ltd (the contractor) and operated by Shanks east.london (SEL) (the sub contractor), thereby safeguarding assets from fraud and wastage. Internal Audit coverage has and will continue to concentrate on reviewing systems and procedures within ELWA to ensure the effective management of the contract.

   4.2 The Internal Audit strategy / plan was agreed on 10 June 2013. The purpose of the strategic plan is to ensure total audit coverage of the key systems / areas of activity within ELWA’s unique operational environment. It is intended to fulfil this responsibility by working in conjunction with the External Auditor in keeping with the principles of “Managed Audit” and aims to avoid any duplication of audit effort. Where the External Auditor can place reliance upon the work of internal audit, this can assist in minimising the number of days (and cost) of external audit work.

   4.3 The Internal Audit function is provided by the London Borough of Redbridge (LBR) and reports directly to the Finance Director, ELWA, who is the Section 151 Officer and who subsequently reports on Audit matters to the Authority.

   4.4 This report provides Members with:-
       a) a brief summary of the audit coverage for 2013/14;
       b) a list of the Audit Areas due to be undertaken during 2014/15;
       c) Details of the proposed five-year rolling audit plan, which sets out the coverage at a strategic level for the following five years (2014/15 to 2018/19).

5. Current Position
   Internal Audit Coverage During 2013/14.

   5.1 The main focus of Internal Audit activity during this year has been to undertake the planned review of contract management. The audit also incorporated the detailed substantive checks of the Integrated Waste Management Services (IWMS) contract invoices. As reported last year ELWA have considered for some time revising its contract management arrangements to maximise their effectiveness and to best address the recommendations made during the recent audits of contract management. Following an evaluation based upon project management principles, the role of both ELWA, and particularly the constituent councils, was to be reviewed in order to maximise the value from their monitoring regime. The audit of contract management has been finalised and an action plan has been agreed.
Based upon the audit work undertaken during 2013/14, Internal Audit has reached the opinion that the Authority’s core financial systems are generally sound, although the contract monitoring role of the constituent councils needs to be finalised, fully implemented and managed before controls can be considered fully effective. There has been no reported fraud or irregularity during the year. As no system of control can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance, this statement is intended to provide reasonable assurance. The main findings of the audit undertaken during 2013/14 are set out below.

Audit of Contract Management

5.3 As was the case when we carried out our last full review of ELWA’s contract monitoring arrangements two years ago, the monitoring regime was under review. At the time of our audit during 2013/14 the principal focus of ELWA’s review was how best to monitor the contract and target resources where the greatest risks lay, by looking at the role of the constituent councils in the monitoring of the delivery of the IWMS contract, and how their work was managed and incorporated into the monitoring regime as a whole by ELWA. Our main conclusion of this process was that the progress on the formulation and implementation of a new monitoring regime for the constituent councils has been slow and lacked impetus, resulting in a reduction of the amount of monitoring, particularly site inspections, being carried out.

5.4 ELWA had identified that many of the checks being carried out during the inspection visits were deemed to have little impact with only minimal findings and so a need for a more risk-based approach that a) would target the issues facing the individual councils, b) were relevant to the contract performance standards and c) would produce savings on the contract, was identified. ELWA and the constituent councils had been working on formulating such a monitoring regime for some months, which included the constituent councils identifying how they could use their resources to best tackle their own issues, but during our review we found that overall progress had been slow and that target dates had not been met. We found progress made by the individual councils was mixed and our overall impression of the formulation of the revised monitoring regime for the constituent councils was that there was a lack of purpose. To ensure that the project was delivered in a timely manner we considered that ELWA needed to take more of a lead by managing and monitoring progress of the implementation of the project and also challenge the proposals put forward by the constituent councils. We have been informed that subsequent to our audit being carried out progress is now being made.

5.5 We found that ELWA had continued to carry out its inspection visits to the various facilities with the intention of visiting all sites at least twice a month and discovered evidence to confirm that the inspections had now taken a more risk based approach and also had a focus on ensuring that only contract waste was accepted through additional checks at the site entrances and of vehicle ticket checks.

5.6 Generally ELWA’s monitoring of SEL’ monthly reports was effective; testing confirmed that in the main SEL were undertaking the programme of self-monitoring of compliance with the performance criteria set out in the contract, the results of which they report to ELWA. We did note that the self-monitoring summary report produced by SEL was not produced for September, and no September data was included in subsequent months, and also that SEL’s checks on queue lengths, which were suspended during the introduction of the vehicle and residency checks, have not been reintroduced.

5.7 We reviewed a significant number of refuse tips made by the various councils covering each site throughout the year and found that all delays had been identified and reported by SEL as part of their checks although the reason for some delays had been incorrectly stated and this was not picked up. It was confirmed that ELWA had introduced checks to establish incorrect recording of tonnages tipped. We also confirmed that each site had their weighbridges calibrated annually.

5.8 We found that invoice checking procedures were effective and that our own checks confirmed that the Total Management Information system (TIM) was correctly capturing data and waste was appropriately categorised enabling us to give assurance on the accuracy of the monthly
invoices. We did note however that the annual uplift of the penalty rates had not been applied for the turnaround time failures of the tips to June 2013. This was reported to ELWA who corrected the error and applied an adjustment to cover. We reviewed the arrangements in place for the acceptance and prioritising of non-contract waste agreed by SEL and third party contractors and found these to be effective.

5.9 As part of the controls to ensure that only contract waste is accepted a vehicle list is maintained that only includes vehicles authorised to tip by the constituent councils, a copy of which is provided to the councils monthly to confirm that it is accurate and up to date. We reviewed samples from the lists maintained and found that two councils had significantly more vehicles authorised to tip than the other two councils. Our checks on TIM also showed that some of the authorised vehicles had not tipped for in excess of 10 years. This evidences poor management of the authorised vehicle lists by the councils increasing the risk of tipping of non-contract waste by the new owners/operators of these vehicles.

5.10 Visits were undertaken to both Jenkins Lane and Chigwell Road to review the processes on site. Whilst we were there we were informed that ELWA were in discussion with SEL regarding possible improvements to site surveillance.

5.11 While overall the management and monitoring of the IWMS contract is satisfactory and there are no significant control issues, because of the delays in the implementation of the new monitoring regime for the constituent councils, together with the other issues identified and outlined above it is our opinion that limited assurance is given for this review.

6. Internal Audit Coverage for 2014/15

6.1 The annual plan is structured to react to changing circumstances while considering the strategic implications / risk management issues for the Authority. The annual audit plan is formulated from discussions with the Finance Director / Section 151 Officer and the Acting Managing Director and is based on an annual risk assessment process so that identified concerns are assessed and evaluated to determine the impact on the Authority. The risk assessment process takes into consideration the risks identified in the Authority’s risk register, but also considers other factors such as previous audit findings, materiality, volume and value of transactions, complexity and stability of systems, contract compliance and level of irregularities. This ensures the plan is responsive to the needs of the Authority. Based on Internal Audit’s previous work, foremost amongst those aspects, which need to be regularly reviewed, are the arrangements for the management and monitoring of the IWMS contract.

6.2 To enable Internal Audit to target its resources most effectively, coverage has been set at a more strategic level and forms part of a rolling five-year plan, a copy of which is attached at Appendix A.

6.3 The main area of focus for 2014/15 will again be an audit of contract management to review progress of the formulation and introduction of a revised contract monitoring regime, as outlined in section 5 above, and the effectiveness of contract monitoring as a whole. The annual in-depth checks of the IWMS invoices will also continue to be carried out as part of this audit to provide assurance on the accuracy of the monthly charge.

6.4 In addition to the audit of contract monitoring we intend to undertake a review of Asset Management, where the main focus will be the landfill sites.

6.5 It is also intended to continue to carry out follow up work to ensure that actions agreed by management have been implemented and to seek explanations where recommendations have not been implemented in the appropriate time scales. Internal Audit will annually report to the Authority on the progress made by management on the implementation of high risk recommendations.

7. Internal Audit Coverage for 2014 - 2019

7.1 As stated in paragraph 6.2 above, it is proposed that the updated rolling five-year plan be adopted for future audit coverage with the areas for review set at a higher, strategic level. This plan is attached for Members’ approval. The updated plan enables greater flexibility and means that Internal Audit will be able to respond to changing priorities and the concerns of Members and ELWA officers. Like the previous plan this has been risk assessed and enables internal audit resources to be targeted accordingly.
8. Performance and Effectiveness of Internal Audit

8.1 The requirements of the Accounts & Audit (England) Regulations 2011 provide the necessary assurance to Members and ELWA officers as to the adequacy of the Internal Audit function. It is important that the effectiveness of the work of Internal Audit is monitored and reported. To do this a range of performance criteria is closely monitored by the Chief Auditor throughout the year. It is also essential that Internal Audit obtain the views of ELWA regarding the service it delivers and the value it adds to ELWA’s business objectives. Another important measure of the effectiveness of Internal Audit is the reliance that can be placed on its work by the External Auditors. It is encouraging that the External Auditors continue to place reliance on Internal Audit’s work.

8.2 As the Authority’s Section 151 Officer I have undertaken a review of the Internal Audit process and its effectiveness. This has included regular briefings to me by the Chief Auditor / Audit Manager and the External Auditor. My view based upon my experience of the Internal Audit Section’s advice and performance, external guidance on Internal Audit and the feedback received, is that the Authority has a sound and robust system of Internal Audit, which continues to adapt and respond to the changing needs of the Authority.

9. Conclusions

9.1 Based upon the audit work undertaken during 2013/14 Internal Audit has reached the opinion that the Authority’s overall control framework is generally sound and the core financial systems continue to operate effectively and there are no fundamental breakdowns in control resulting in material discrepancy. This view is re-enforced by the Authority’s External Auditors.

9.2 I feel confident that through this process and the assurances received, notably from Internal Audit, External Audit and other sources, I will be well placed to provide an opinion as to the overall adequacy and effectiveness of the Authority’s internal control environment to Members and ELWA officers.

10. Relevant officer:
John Jones / john.jones@redbridge.gov.uk / 020 8708 3192

11. Appendices attached:
Appendix A: Five Year Strategic Plan

12. Background papers:
10/06/13  Internal Audit Progress Report 2012/13, Audit Plan 2013/14 & Planned Audit Coverage to March 2018 & Minute No. 7/2013
27.03.14 Internal Audit Report on Contract Management 2013/14

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

14. Financial considerations:
14.1 As outlined in the report.

15. Performance management considerations:
15.1 None.

16. Risk management considerations:
16.1 The decision to agree the audit coverage for 2014/15 as outlined in Section 6 should help ensure ELWA’s strategic and operational risks are identified and appropriate control strategies implemented to mitigate these risks.

17. Equalities considerations:
17.1 None.

18. Follow-up reports:
18.1 Yes / January 2015.
19. **Websites and e-mail links for further information:**

20. **Glossary:**
ELWA / the Authority = East London Waste Authority
IWMS = Integrated Waste Management Services
LBR = London Borough of Redbridge
SEL = Shanks east.london
TIM = Total Management Information system

21. **Approved by management board:**
21.1 09 June 2014

22. **Confidentiality:**
22.1 None
### ELWA - 5 year Strategic Plan 2014/15 - 2018/19

<table>
<thead>
<tr>
<th>Audit Areas</th>
<th>Risk Impact</th>
<th>Likelihood</th>
<th>Risk Rating</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Control and Corporate Governance</strong></td>
<td>5</td>
<td>2</td>
<td>10</td>
<td>3 yearly</td>
</tr>
<tr>
<td>Audits in this area will include Review of Constitution, CSO's, Financial Regs, corporate governance, Risk assessment and Business Continuity Planning, Anti Fraud Arrangements, any other matters arising (IT / Personnel Issues), it would be intended to cover all the above over a 6 year period</td>
<td></td>
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<tr>
<td><strong>Contract Management / Monitoring / Compliance</strong></td>
<td>9</td>
<td>3</td>
<td>27</td>
<td>2 yearly</td>
</tr>
<tr>
<td>Audits in this area will include reviews of ELWA's Monitoring Arrangements for the contract, Borough's Monitoring arrangements, Payments to the contractor, Performance Measures, TIM system and the weighbridge. In addition to these audits sample compliance checks on the content within the monthly IWMS contract invoice will be carried out monthly or bi-monthly. It would be intended to cover all the above over a 5 year period</td>
<td></td>
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</tr>
<tr>
<td><strong>Financial Management</strong></td>
<td>5</td>
<td>3</td>
<td>15</td>
<td>5 yearly</td>
</tr>
<tr>
<td>Audits in this area will include reviews of Financial Management of non IWMS contract costs. The audit would be done once over a 4 year period</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Asset Management</strong></td>
<td>2</td>
<td>3</td>
<td>6</td>
<td>5 yearly</td>
</tr>
<tr>
<td>Audits in this area will review the management of the Authorities assets (predominantly the Landfill Sites) and will undertaken once every 4 years</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reporting / Administration / Follow Up / Other</strong></td>
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<td></td>
<td></td>
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<tr>
<td><strong>Total Days</strong></td>
<td></td>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Actual</th>
<th>5 year Audit Plan</th>
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</thead>
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<td>13/14</td>
<td>14/15</td>
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<td>3</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Total Days: 26, 33, 33, 31, 23, 33
AUTHORITY REPORT: CONTRACT MONITORING REVIEW OF THE YEAR 2013/14 AND MONITORING TO 31 MARCH 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 31 March 2014.
   3.2 To provide a summary of the contract performance for the 2013/14 contract year.

   4.1 Contract waste tonnage for March 2014 was 36,270 tonnes which was 6% (2,000t) above forecast and an increase of 6,270 tonnes over the same period last year. March 2013 went against the waste trend demonstrating the need for caution when comparing month by month figures.
   4.2 The recycling performance for March was 23.4%, slightly lower than budget (25.2%) but on expectation, given the continuing contamination issues.
   4.3 Diversion from landfill was strong, achieving a rate 73.8%. This strong performance however was only slightly able to mitigate the budget pressure as a result of increased tonnage delivered into the contract.

   The table below provides an overview of the NI recycling performance for March 2014 however these figures are subject to ratification by Defra.

<table>
<thead>
<tr>
<th>Constituent Council</th>
<th>% Recycling Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barking &amp; Dagenham</td>
<td>23.0%</td>
</tr>
<tr>
<td>Havering</td>
<td>34.8%</td>
</tr>
<tr>
<td>Newham</td>
<td>15.7%</td>
</tr>
<tr>
<td>Redbridge</td>
<td>28.1%</td>
</tr>
</tbody>
</table>

5. **2013/14 Contract Performance**

5.1 Overall the contract performance for the year end for recycling was below that predicted in the Annual Budget & Service Delivery Plan (ABSDP). This reduced performance was mainly as a result of the loss of kerbside recycling due to high levels of contamination that have previously been reported. The final contract recycling performance was 23.8% (ABSDP target 26%) and slightly above last years 22.3%.

5.2 The contract performance is not calculated in the same manner as the constituent councils’ (pre 2013) NI performance. The year end NI performance for each council is as below (this is subject to ratification by the EA):

<table>
<thead>
<tr>
<th>Constituent Council</th>
<th>% Recycling Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barking &amp; Dagenham</td>
<td>24.8%</td>
</tr>
<tr>
<td>Havering</td>
<td>33.1%</td>
</tr>
<tr>
<td>Newham</td>
<td>16.7%</td>
</tr>
<tr>
<td>Redbridge</td>
<td>29.2%</td>
</tr>
</tbody>
</table>

5.3 The diversion from landfill performance achieved higher levels than contractual targets but was on target as predicted in the ABSDP. The final contract overall diversion from landfill performance was 73.4%. [Contract 45%] [ABSDP 73.5%]

5.4 Contract tonnage for the year showed an increase on the previous year of 2.7% although as the table below shows the increase over a two year period is of the order of 1% this is against an increase in the number of households in the region of 2%

5.5 The financial cost of the contract exceeded the budget (see finance officer’s Provisional Outturn report) due to the considerable increase in tonnage of waste delivered...
Total Contract Tonnage 2011-2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NI Residual</td>
<td>241,334</td>
<td>254,955</td>
<td>5.6%</td>
<td>264,365</td>
<td>9.5%</td>
</tr>
<tr>
<td>NI Recycling</td>
<td>87,899</td>
<td>82,456</td>
<td>-6.2%</td>
<td>75,120</td>
<td>-14.5%</td>
</tr>
<tr>
<td>Non NI Recycling</td>
<td>13,374</td>
<td>6,322</td>
<td>-52.7%</td>
<td>12,509</td>
<td>-6.5%</td>
</tr>
<tr>
<td>Sub Total- Collected Household</td>
<td>342,607</td>
<td>343,732</td>
<td>0.3%</td>
<td>351,993</td>
<td>2.7%</td>
</tr>
<tr>
<td>Trade Collect with domestic</td>
<td>14,407</td>
<td>12,941</td>
<td>-10.2%</td>
<td>13,176</td>
<td>-8.5%</td>
</tr>
<tr>
<td>Trade/ Municipal Weighed</td>
<td>10,131</td>
<td>8,148</td>
<td>-19.6%</td>
<td>7,830</td>
<td>-22.7%</td>
</tr>
<tr>
<td>Sub Total- Collected Municipal</td>
<td>24,537</td>
<td>21,088</td>
<td>-14.1%</td>
<td>21,006</td>
<td>-14.4%</td>
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<tr>
<td>RRC Sites Waste</td>
<td>28,027</td>
<td>25,884</td>
<td>-7.6%</td>
<td>26,173</td>
<td>-6.6%</td>
</tr>
<tr>
<td>RRC Recycled</td>
<td>27,746</td>
<td>24,341</td>
<td>-12.3%</td>
<td>27,575</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Non NI Recycling</td>
<td>7,306</td>
<td>8,242</td>
<td>12.8%</td>
<td>7,983</td>
<td>9.3%</td>
</tr>
<tr>
<td>Sub Total- RRC</td>
<td>63,079</td>
<td>58,467</td>
<td>-7.3%</td>
<td>61,730</td>
<td>-2.1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>430,224</td>
<td>423,288</td>
<td>-1.6%</td>
<td>434,730</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

Total Tonnage delivered By Borough [Excluding RRC waste]

<table>
<thead>
<tr>
<th>Delivered Tonnage</th>
<th>Barking &amp; Dagenham</th>
<th>Havering</th>
<th>Newham</th>
<th>Redbridge</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 12</td>
<td>71,947</td>
<td>87,482</td>
<td>109,725</td>
<td>97,990</td>
<td>367,145</td>
</tr>
<tr>
<td>2012 13</td>
<td>72,673</td>
<td>86,773</td>
<td>107,544</td>
<td>97,831</td>
<td>364,821</td>
</tr>
<tr>
<td>2013 14</td>
<td>76,059</td>
<td>86,597</td>
<td>109,093</td>
<td>101,249</td>
<td>372,999</td>
</tr>
<tr>
<td>Change</td>
<td>5.7%</td>
<td>-1.0%</td>
<td>-0.6%</td>
<td>3.3%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>

5.6 The controls introduced at the Reuse & Recycling Centre (RRC) sites continue to deliver a reduction compared with the tonnages delivered prior to the introduction of the revised controls at the sites as reported last year. There is however an increase in tonnage although this appears to be in line with the general increase in collected waste.

5.7 Further controls on monitoring by the constituent councils’ enforcement officers are being implemented and installation of Automatic Number Plate Recognition (ANPR) monitoring system at the sites is being given consideration and will be subject to future reports to Members during 2014/2015.

5.8 Notwithstanding these additional controls officers have been reviewing the available data to try and understand the fluctuation and improve waste predictions going forward.

5.9 As can be seen in the following graphs whilst household numbers continue to grow each year waste output per household and the total tonnage delivered did not bottom out until last year. When the first two graphs are compared to the third one showing economic activity it appears that this has a major influence to the volume of waste generated (it is considered that the time lag between the increase in gross domestic product (GDP) and ELWA’s tonnages is a result of our revised controls at the RRCs.)
6. **Conclusion**

   Overall, contract performance achieved the required levels of diversion from landfill albeit with slightly disappointing recycling performance.

   The overall contract tonnage delivered into the contract was considerably 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, the tonnages for the previous year were depressed by unusual climatic conditions but taking a longer term view the increase in tonnage (1%) is in line with housing and population growth. These factors will continue to provide budget pressures going forward.

7. **Relevant officer:**

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

8. **Appendices attached:**

   8.1 None

9. **Background Papers:**

   9.1 None

10. **Legal Considerations:**

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

11. **Financial Considerations:**

   11.1 Tonnage levels and landfill tax liabilities continue to be the main drivers of cost within the IWMS contract. The increased tonnages therefore has led to financial pressures for the Authority in this period.

12. **Performance management considerations:**

   12.1 None

13. **Risk management considerations:**

   13.1 None

14. **Equalities considerations:**

   14.1 The equalities impact assessment identified no matters of concern.

15. **Follow-up reports:**

   15.1 None

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

   16.1 None

17. **Glossary**

   ABSDP = Annual Budget & Service Delivery Plan
   ANPR = Automatic Number Plate Recognition
   EA = Environment Agency
   ELWA / the Authority= East London Waste Authority
   Constituent Councils = London Boroughs of Barking & Dagenham. Havering, Newham & Redbridge
   GDP = Gross Domestic Product
   IWMS = Integrated Waste Management Services
   NI192 = National Indicator (Household Waste Recycled or Composted)
   RRC = Reuse & Recycling Centre(s)

18. **Approved by management board:**

   18.1 09 June 2014

19. **Confidentiality:**

   19.1 Not applicable
AUTHORITY REPORT: PROVISIONAL FINANCIAL OUTFLOW POSITION 2013/14

1. Confidential Report
1.1 No

2. Recommendation:
2.1 To note this report and in particular the net underspend against budget.

3. Purpose
3.1 To provide a summary of the Financial Outturn for ELWA for the 2013/14 financial year.
3.2 Budgetary control reports are presented for monitoring and control purposes.

4. Revenue Budget
4.1 The outturn figures presented in this report are provisional and there may be some changes as the accounts are being finalised. It is not currently anticipated that there will be any significant changes from these provisional figures.

4.2 Based on the budget of £55,359,000 and the actual net expenditure of £55,288,000 on services, there is a small favourable variation against budget for the year of £71,000. Although contractor payments in the Integrated Waste Management Services (IWMS) contract overspent by £359,000 due to tonnages being above budget this was more than offset by favourable variations in non contractor costs and recycling initiatives.

4.3 The principal activity driver on ELWA's budget is the level of waste tonnage delivered from the Constituent Councils and the means by which this waste is disposed of such as landfilling, recycling diversion etc. For the Budget and Levy setting in February 2013 a waste tonnage of 428,000 and a diversion rate of 70% was assumed. In the early months of the year waste tonnages were forecast to be at 422,000 tonnes for year end. However during the year this level increased and in the last budget monitoring report to Members, which detailed the position to the end of December 2013, the projected year end tonnage had increased to 426,000 tonnes. As part of this report Members were advised that the final outturn would depend on the impact of the winter in the last three months, population growth and to some extent economic recovery.

4.4 The full year actual tonnage for 2013/14 was 434,500 tonnes, a level 1.5% higher than that assumed in the budget. The winter months can be a period of significant volatility for tonnage levels and Members will recall that in 2012/13 a particularly harsh March 2013 led to a significant dip in tonnage at year end allowing the underspend for the year to increase from the £0.5 million predicted before the onset of winter to £1.3 million. In contrast, the months January to March 2014 were both mild and wet leading to higher than expected overall tonnages and specifically green waste tonnage levels. There is also some evidence that there is an improving economy and some population growth which are upward pressures on waste tonnage levels. In addition constituent councils undertook initiatives to deep clean and improve areas.

4.5 The diversion from landfill rate assumed for the 2013/14 Budget was 70%, reflecting the previous year's performance. The higher the diversion rate the lower the cost to ELWA as the landfill costs per tonne are greater than the diversion supplements payable to Shanks east.london (the operator). Throughout the year diversion rates in excess of 70% have been reported and the final figure was 73%. This helps to mitigate to some extent the overspend resulting from the increased tonnage.

4.6 Employee costs underspent by £133,000. This largely reflects the deletion of the Head of Operations post and the move of the Contract Manager to flexible retirement while any cost of recruitment to the Managing Director's post will fall in 2014/15.
4.7 Other non contractor costs underspent by approximately £120,000. This resulted from economies in premises costs, general office costs such as IT equipment and stationery. As part of the 2013/14 Levy setting process Members agreed to a contingency of £150,000. This was only partly utilised in 2013/14 resulting in an underspend of £72,000. There was also an underspend in recycling initiatives of approximately £150,000.

4.8 Commercial waste and other income was broadly in line with budget. Investment income was low reflecting the continuing low interest rates and the relatively low level of balances. Royalty income however was broadly in line with budget.

4.9 The three year Budget and Levy process assumed an underspend in 2013/14 to be used to mitigate future Levy increases. The actual 2013/14 reduced underspend position will therefore need to be taken account of in the next Three Year Financial Strategy and Budget Projection report to be considered by Members in November 2014.

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.

5.2 The Prudential Indicators are reviewed on a regular basis and all activities have been contained within the indicators as shown in the table below:

<table>
<thead>
<tr>
<th>Authority Limit for External Debt</th>
<th>Revised Limit 2013/14 £’000</th>
<th>Actual to 31/03/14 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>17,000</td>
<td>1,250</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>96,000</td>
<td>87,918</td>
</tr>
<tr>
<td>TOTAL</td>
<td>113,000</td>
<td>89,168</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational Boundary for External Debt</th>
<th>Revised Limit 2013/14 £’000</th>
<th>Actual to 31/03/14 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>15,000</td>
<td>1,250</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>96,000</td>
<td>87,918</td>
</tr>
<tr>
<td>TOTAL</td>
<td>111,000</td>
<td>89,168</td>
</tr>
</tbody>
</table>

6. 2013/14 Financial Statements

6.1 The production of the 2013/14 Financial Statements is in progress. This is a significant piece of work and is highly technical in nature. Accounts now need to be fully compliant with International Financial Reporting Standards. The draft statutory accounts need to be signed off by the Finance Director by 30th June 2013 and will be approved by the Authority at its meeting on 15th September 2014. Completion of the ELWA Whole of Government Accounts is also required by 30th June 2014.

7. Conclusion

7.1 The net underspend in 2013/14 is £71,000. Economies in the non contract areas and recycling more than offset the contract costs budget pressure.

7.2 The relatively small net underspend in 2013/14 will be taken into account in the next Three year Financial Projections and Budget Strategy process.

8. Relevant officer:

Geoff Pearce, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588
9. **Appendices attached:**

Appendix A: Budget Monitoring Statement to 31st March 2014

10. **Background papers:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 February 2014</td>
<td>Revenue &amp; Capital Budgets and Levy 2014/15 Report &amp; Minute No.51</td>
</tr>
<tr>
<td>12 February 2009</td>
<td>IWMS Contract – Service Delivery Plan 2010/11 to 2014/15 (5 Year)</td>
</tr>
<tr>
<td>10 June 2013</td>
<td>Budgetary Control to 30 April 2013 Report &amp; Minute No 2013/11</td>
</tr>
<tr>
<td>09 February 2013</td>
<td>Budgetary Control to 31 July 2013 Report &amp; Minute No 2013/23</td>
</tr>
<tr>
<td>25 November 2013</td>
<td>Budgetary Control to 31 October 2013 Report &amp; Minute 2013/37</td>
</tr>
<tr>
<td>10 February 2014</td>
<td>Budgetary Control to 31 December 2013 Report &amp; Minute No 2014/</td>
</tr>
</tbody>
</table>

11. **Legal considerations:**

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

12. **Financial considerations:**

12.1 As outlined in the report.

13. **Performance management considerations:**

13.1 The financial position and projections should consider among other things service performance trends, for example, diversion rates.

14. **Risk management considerations:**

14.1 The current position may result in budget pressures in 2014/15 should there be an unusually mild winter and the trends in the other variables influencing the budget continue.

15. **Equalities considerations:**

15.1 The equalities impact assessment for this decision identified that there are no specific equality implications arising from this report.

16. **Follow-up reports:**

16.1 None

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

17.1 None

18. **Glossary:**

ELWA / the Authority = East London Waste Authority

IWMS = Integrated Waste Management Services

19. **Approved by Management Board:**

19.1 09 June 2014

20. **Confidentiality:**

20.1 Not Applicable.
# Budget Monitoring Statement to 31 March 2014

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>Budget 2013/14 £'000</th>
<th>Projected Outturn 2013/14 £'000</th>
<th>Projected Outturn Variance £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee and Support Services</td>
<td>481</td>
<td>348</td>
<td>(133)</td>
</tr>
<tr>
<td>Premises Related Expenditure</td>
<td>163</td>
<td>122</td>
<td>(41)</td>
</tr>
<tr>
<td>Transport Related Expenditure</td>
<td>5</td>
<td>3</td>
<td>(2)</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to ELWA Limited</td>
<td>56,242</td>
<td>56,601</td>
<td>359</td>
</tr>
<tr>
<td>Other (inc cost of Support Costs)</td>
<td>473</td>
<td>396</td>
<td>(77)</td>
</tr>
<tr>
<td>Third Party Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycling Initiatives</td>
<td>1,942</td>
<td>1,785</td>
<td>(157)</td>
</tr>
<tr>
<td>Tonne Mileage</td>
<td>500</td>
<td>499</td>
<td>(1)</td>
</tr>
<tr>
<td>Rent payable - property leases</td>
<td>317</td>
<td>320</td>
<td>3</td>
</tr>
<tr>
<td>Capital Financing Costs</td>
<td>210</td>
<td>208</td>
<td>(2)</td>
</tr>
<tr>
<td><strong>TOTAL GROSS EXPENDITURE</strong></td>
<td>60,333</td>
<td>60,282</td>
<td>(51)</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Waste Charges</td>
<td>(2,731)</td>
<td>(2,744)</td>
<td>(13)</td>
</tr>
<tr>
<td>Bank Interest Receivable</td>
<td>(175)</td>
<td>(114)</td>
<td>61</td>
</tr>
<tr>
<td>Other Income</td>
<td>(2,218)</td>
<td>(2,214)</td>
<td>4</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>(5,124)</td>
<td>(5,072)</td>
<td>52</td>
</tr>
<tr>
<td>Contingency Allocated</td>
<td>150</td>
<td>78</td>
<td>(72)</td>
</tr>
<tr>
<td><strong>NET EXPENDITURE ON SERVICES</strong></td>
<td>55,359</td>
<td>55,288</td>
<td>(71)</td>
</tr>
<tr>
<td>Underspend 12/13</td>
<td>(554)</td>
<td>(554)</td>
<td>0</td>
</tr>
<tr>
<td>PFI Grant Receivable</td>
<td>(3,991)</td>
<td>(3,991)</td>
<td>0</td>
</tr>
<tr>
<td>Transfer to PFI Contract Reserve</td>
<td>3,991</td>
<td>3,991</td>
<td>0</td>
</tr>
<tr>
<td>Levy Receivable</td>
<td>(47,155)</td>
<td>(47,155)</td>
<td>0</td>
</tr>
<tr>
<td>Transfer from PFI grant reserve</td>
<td>(5,000)</td>
<td>(5,000)</td>
<td>0</td>
</tr>
<tr>
<td>Contribution from Reserves</td>
<td>(2,650)</td>
<td>(2,650)</td>
<td>0</td>
</tr>
<tr>
<td><strong>REVENUE SURPLUS FOR PERIOD</strong></td>
<td>0</td>
<td>(71)</td>
<td>(71)</td>
</tr>
</tbody>
</table>
AUTHORITY REPORT:  BUDGETARY CONTROL TO 30 APRIL 2014

1. Confidential Report
1.1 No

2. Recommendation:
2.1 To note this report.

3. Purpose
3.1 This budgetary control report compares ELWA’s actual expenditure for the period ended 30th April 2014 with the original revenue budget approved in February 2014. It is based on information supplied by Shanks east.london (the sub contractor), ELWA technical officers and the four Constituent Councils.

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

4. Background

Revenue Estimates
4.1 Based on the profiled budget of £4,928,000 and the actual net expenditure on services of £4,947,000 the position is a net overspend of £19,000 to date. (see Appendix A).

4.2 Overall the outturn is currently projected to be in line with budget at year end. However it is too soon to draw firm conclusions at this early stage. The budget remains susceptible to fluctuation and needs to continue to be closely monitored throughout the rest of the financial year.

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 2014/15 Budget and Levy setting process has assumed 429,000 tonnes in 2014/15. As per the outturn report elsewhere on the agenda there was a tonnage of 434,500 tonnes approximately 7,000 tonnes higher than assumed in the 2013/14 Budget. There was a significant increase in tonnage in the last three months of the financial year compared to that projected and it is clear that a major reason for this was the mild and wet weather in January to March 2014. There may however be other trends which may affect the 2014/15 position and officers will need to determine the impact of possible increases in tonnages per household as well as demographic trends. The provisional waste figure for April 2014 was approximately 39,000 tonnes and this compares to a figure of 36,500 tonnes in April 2013.

4.4 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 contractor are less than the Landfill tax that would have been paid if the waste had been landfilled. The Acting Managing Director advises that the provisional April 2014 figure was a 77.7% diversion performance compared to the budgeted 75% and consequently there is a net budget benefit. Therefore taking account of the potential pressure on tonnages but also improved diversion performance against budget, at this early stage it is projected that contractor payments will be in line with budget at year end. There however remains a degree of uncertainty both in projected tonnage levels and diversion rates.

4.5 Employee costs show a year to date underspend of £7,000 and for the first month of the year other non-contractor costs broadly reflect the budget. Both these areas are projected to be in line with budget at year end.

4.6 Based on ELWA technical officer advice commercial waste income will be in line with budget at year end. Other royalty income is also projected to be in line with budget although the position over the next few months will be monitored carefully to assess
whether the over-recovery in this area in 2013/14 will continue into the current financial year.

4.7 Members are reminded that underpinning the 2014/15 Budget and Levy is an efficiency savings target of £500,000. Elsewhere on this agenda is a report from the Acting Managing Director detailing progress in this area. Based on the progress to date it is projected that the savings target will have been met by the end of the financial year.

4.8 The pressure on the Levy and the reserves over the next few years has been previously reported to Members and this pressure was maintained in 2013/14 due to the higher than anticipated tonnages in the year. Given this it is important that robust monitoring of the financial position throughout the year remains in place and it is essential that remedial action can be swiftly taken on areas of over spend or insufficient income collection.

Prudential indicators

4.9 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.

5. Conclusion

5.1 The net overspend for the period to date is £19,000, although at year end it is projected that contractor and other costs will be in line with budget.

5.2 The position will continue to be closely monitored on a monthly basis throughout the rest of the financial year. The ability to remain within budget will depend to a great extent on tonnage trends, achievement of diversion targets income collection and the achievement of efficiency savings.

6. Relevant officer:

Geoff Pearce, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588

7. Appendices attached:

Appendix A: Budget Monitoring Statement to 30 April 2014

8. Background papers:


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 As outlined in the report.

11. Performance management considerations:

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

12. Risk management considerations:

12.1 The projected position depends on the performance of the contractor, tonnage levels and the success in achieving budgeted diversion levels.

13. Follow-up reports:

13.1 Budgetary Control Report, next meeting

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

14.1 None
15. Glossary:
15.1 ELWA / the Authority = East London Waste Authority

16. Approved by management board:
16.1 09 June 2014

17. Confidentiality:
17.1 Not Applicable.
## BUDGET MONITORING STATEMENT TO 30 APRIL 2014

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>Original Budget 2014/15 £'000</th>
<th>Profiled Budget to 30.04.14 £'000</th>
<th>Total Actual to 30.04.14 £'000</th>
<th>Variance to 30.04.14 £'000</th>
<th>Projected Outturn to 30.04.14 £'000</th>
<th>Outturn Variance £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee and Support Services</td>
<td>371</td>
<td>29</td>
<td>22</td>
<td>(7)</td>
<td>371</td>
<td>0</td>
</tr>
<tr>
<td>Premises Related Expenditure</td>
<td>149</td>
<td>46</td>
<td>46</td>
<td>0</td>
<td>149</td>
<td>0</td>
</tr>
<tr>
<td>Transport Related Expenditure</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments to ELWA Ltd</td>
<td>58,075</td>
<td>4,825</td>
<td>4,850</td>
<td>25</td>
<td>58,075</td>
<td>0</td>
</tr>
<tr>
<td>Other (inc. cost of Support Costs)</td>
<td>464</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>464</td>
<td>0</td>
</tr>
<tr>
<td>Third Party Payments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recycling Initiatives</td>
<td>1,980</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1980</td>
<td>0</td>
</tr>
<tr>
<td>Tonne Mileage</td>
<td>500</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>500</td>
<td>0</td>
</tr>
<tr>
<td>Rent payable - property leases</td>
<td>317</td>
<td>19</td>
<td>19</td>
<td>0</td>
<td>317</td>
<td>0</td>
</tr>
<tr>
<td>Capital Financing Costs</td>
<td>186</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>186</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL GROSS EXPENDITURE</strong></td>
<td>62,047</td>
<td>4,932</td>
<td>4,951</td>
<td>19</td>
<td>62,047</td>
<td>0</td>
</tr>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Waste Charges</td>
<td>(2,900)</td>
<td>(0)</td>
<td>(0)</td>
<td>(0)</td>
<td>(2,900)</td>
<td>0</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>(50)</td>
<td>(4)</td>
<td>(4)</td>
<td>(0)</td>
<td>(50)</td>
<td>0</td>
</tr>
<tr>
<td>Other income</td>
<td>(2,282)</td>
<td>(0)</td>
<td>(0)</td>
<td>(0)</td>
<td>(2,282)</td>
<td>0</td>
</tr>
<tr>
<td>Efficiency savings</td>
<td>(500)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(500)</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>(5,732)</td>
<td>(4)</td>
<td>(4)</td>
<td>(0)</td>
<td>(5,732)</td>
<td>0</td>
</tr>
<tr>
<td>Contingency Allocated</td>
<td>150</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>150</td>
<td>0</td>
</tr>
<tr>
<td><strong>NET EXPENDITURE ON SERVICES</strong></td>
<td>56,465</td>
<td>4,928</td>
<td>4,947</td>
<td>19</td>
<td>56,465</td>
<td>0</td>
</tr>
<tr>
<td>Previous years net underspend</td>
<td>(1,000)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(1,000)</td>
<td>0</td>
</tr>
<tr>
<td>PFI Grant Receivable</td>
<td>(3,991)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(3,991)</td>
<td>0</td>
</tr>
<tr>
<td>Transfer to PFI Contract Reserve</td>
<td>3,991</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3,991</td>
<td>0</td>
</tr>
<tr>
<td>Levy Receivable</td>
<td>(48,060)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(48,060)</td>
<td>0</td>
</tr>
<tr>
<td>Transfer from PFI Contract Reserve</td>
<td>(5,935)</td>
<td>(5,935)</td>
<td>(5,935)</td>
<td>0</td>
<td>(5,935)</td>
<td>0</td>
</tr>
<tr>
<td>Contribution from reserves</td>
<td>(1,470)</td>
<td>(1,470)</td>
<td>(1,470)</td>
<td>0</td>
<td>(1,470)</td>
<td>0</td>
</tr>
<tr>
<td><strong>NET</strong></td>
<td>0</td>
<td>(2,477)</td>
<td>(2,458)</td>
<td>19</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
AGENDA ITEMS 15 TO 18 ARE RESTRICTED DOCUMENTS