NOTICE OF MEETING

Monday 07 October 2019 at 9.30 am
Committee Rm 2, Town Hall, 128-142 High Road, Ilford, IG1 1DD

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

Andrew Lappage
Managing Director

Tel: 020 8724 5614
E-mail: andrew.lappage@eastlondonwaste.gov.uk

26 September 2019

AGENDA

For Information 1. Apologies for absence.

For Information 2. Declaration of Members Interest.

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

For Decision 3. Minutes – To agree Part 1 (Public Items) of the minutes of the Authority’s Annual General meeting held on 28 June 2019 and authorise the Chair to sign the same. (pages 1-6)

For Decision 4. Minutes – To agree Part 1 (Public Items) of the minutes of the Authority’s Extraordinary General meeting held on 18 July 2019 and authorise the Chair to sign the same. (pages 7-10)

For Information 5. Annual Audit Letter 2018/19. (pages 11-34)

Appendix A is in draft and the final version will be tabled at the meeting by the Finance Director.


For Information 8. Brexit Preparations. (pages 53-60)


Appendix A to the report has been restricted to Members and specific officers only and is identified at Agenda Item 15 (page 75)

For Information 11. Date of next meeting: Monday 02 December 2019 at 9.30 am.

For Decision 12. Any other public items which the Chair decides are urgent.

For Decision 13. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.

Confidential Business

The public and press have a legal right to attend Authority meetings, except where business is confidential or certain other sensitive information is to be discussed. The items in the private part of the agenda are exempt from publication under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) as they contain commercially confidential information and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

For Decision 14. Minutes – To agree Part 2 (Restricted Items) of the minutes of the Authority’s Annual General meeting held on 28 June 2019 and authorise the Chair to sign the same (pages 73 - 74)

These Minutes have been restricted to Members and specific officers only.

For Information 15. Strategy – Preparations for the Future Wastes Management Arrangements in East London - Update (pages 75 - 76)

Appendix A (Summary of Tenders Received) has been restricted to Members and specific officers only and forms part of Agenda Item 10 above (pages 69 – 72)

For Information 16. Closed Landfills – Management & Sale – Wennington Farm & Aveley (pages 77 - 82)

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

For Information 17. ELWA Limited Board Meeting 31/07/19 Update (pages 83 - 86)

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

For Decision 18. Any other confidential or exempt items which the Chair decides are urgent.
ANNUAL GENERAL MEETING MINUTES
FRIDAY 28 JUNE 2019 - PART 1 PUBLIC ITEMS: - (9.40 AM–10.55 AM)

Present:

1. Membership and Appointment of Chair, Vice Chair and ELWA Limited ‘A’ Director for the year 2019/20

The Managing Director opened the meeting by requesting nominations from the membership as set out in his joint report with the Acting Monitoring Officer, for the post of Chair, for the municipal year 2019/20.

Members noted the composition of ELWA’s membership as Councillors Dorothy Akwaboah and Syed Ghani, London Borough of Barking & Dagenham; Councillors Robert Benham and Osman Dervish, London Borough of Havering; Councillors James Asser and Genevieve Kitchen, London Borough of Newham; and Councillors Sheila Bain and John Howard, London Borough of Redbridge.

Members nominated and agreed that Councillor Dervish be appointed Chair for the municipal year 2019/20.

Councillor Dervish took office and continued the meeting having thanked the Members for their vote of confidence. The Chair requested nominations from the Members for the posts of Vice Chair & ELWA Limited ‘A’ Director.

Members nominated and agreed the following appointments for the municipal year 2019/20: Vice Chair: Councillor James Asser and ELWA Limited ‘A’ Director: Councillor Dorothy Akwaboah. Although Councillor Asser had arrived later than this item, he subsequently confirmed his acceptance of the nomination for and appointment to the position of Vice Chair.

Members agreed that the Chair should sign a letter of thanks to the outgoing Member from the London Borough of Newham, Councillor Rachel Tripp. The Chair signed the same.

2. Apologies for Absence and Welcome

An apology for absence was received on behalf of Councillor G Kitchen and for lateness from Councillor J Asser (arrival at Item 12). Members were introduced to two new Officers, Fiona Taylor, Acting Monitoring Officer and Neil Greenhalgh, Head of Waste & Support Services to the Authority.

3. Declaration of Members’ Interests

There were none declared.

4. Appointment of Monitoring Officer and Legal Adviser

Members received the Managing Director’s report advising on the change of Legal Adviser and his action to accept Fiona Taylor, Director of Law and Governance and Monitoring Officer at the London Borough of Barking & Dagenham as Acting Monitoring Officer on the departure of Suzan Yildiz. Members were advised that the formal appointment of Monitoring Officer was reserved to them and they were asked to confirm their acceptance of Fiona Taylor as the Authority’s Legal Adviser and to formally appoint her Monitoring Officer.

Members confirmed their acceptance and agreed the appointment. In addition, Members agreed that the Chair should sign a letter of thanks to Suzan Yildiz. The Chair signed the same.

5. Minutes - Part 1 (Public Items) of previous meeting: 04 February 2019

Members were advised that, for clarity, it was proposed to substitute the circulated Minutes with an alternative set that reflected the fact that although an apology had been received on behalf of the External Auditor; she had arrived late and did take part in the meeting as later indicated.
substituted minutes had the words ‘and for lateness’ added before Ms D Hanson at Minute 1.

The Chair asked the Members whether they would be happy with the substitution and to confirm their acceptance.

**Members agreed** to accept the revised minutes and confirmed them to be a true and accurate representation of the Meeting held on 04 February 2019. The Chair signed the same.

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

Members received the Managing Director and Acting Monitoring Officer’s report on the statutory requirement to nominate from the membership, one Authority Member from each of the Constituent Councils to answer questions on behalf of the Authority put by other elected members of their Constituent Councils during council proceedings pertaining to the discharge of the waste functions by the Authority for the year 2019/20.

**Members nominated and agreed** the following Members, namely: London Borough of Barking & Dagenham: Councillor Syed Ghani; London Borough of Havering: Councillor Osman Dervish; London Borough of Newham: Councillor James Asser; and London Borough of Redbridge: Councillor John Howard. These Members are also their respective Constituent Councils’ Cabinet Member for environment/waste matters.

Although Councillor Asser joined the meeting later than this item, he subsequently confirmed his acceptance.


Members received the joint report from the Managing Director and Finance Director and received an apology for the fact that the Budget Monitoring Statement to 31 March 2019 (Appendix A) had been omitted. Appendix A showed a breakdown of the £66.586m annual budget, net expenditure on services of £63.294m and the budget variance, adding clarity to the report. Members were asked whether they would be happy to proceed with this item if they received the Appendix immediately by email. This was confirmed, and the Appendix sent.

The outturn report contained details of the Revenue budget, Reserves, Contract Monitoring (tonnages, performance, recycling and diversion) and Communications activity.

The outturn for 2018/19 had resulted in an underspend of £4.292m because of lower tonnages, insurance premiums, additional income received and unused contingency budget. The underspend had been transferred to Reserves. An insurance premium underspend had resulted in a £1.054m underspend and this amount had been transferred to the Business Risk Reserve. The Reserves position was Revenue Reserve £3.000m, Strategy £11.109m (increased by £1.175m), Business Risk Reserve £3.000m (increased by £1.000m) and Capital Reserve £0.100m.

Lower than anticipated tonnages levels (445,706t) had resulted in tonnages being 4.97% below budget. Historic tonnage data had indicated higher levels and may be the case in the future as household number increase over the coming years. Variations in costs for employees, premises, supplies & services and third-party payments had resulted in an underspend of £0.290m. Interest receivable had overachieved by £0.106m, as had commercial waste income, by £0.347m. The Contingency budget of £0.500m had not been used.

Lower than budgeted household tonnages and higher than budgeted non-household tonnages (and income) remained the primary drivers.

The Managing Director advised Members that he was about to start discussions with the Contractor to obtain their proposals for the Annual Budget & Service Delivery Plan and next five-year cycle (to commence next April).

**Members noted** the report.
8. **Annual Governance Statement 2018/19**

Members received a brief commentary from the Finance Director that the new External Auditors, whilst reviewing the accounts in-depth, had identified matters going back into previous years that required further investigation in relation to a PFI asset value calculation. This had impacted the commitment to meet the deadline of the Authority meeting for their report. As a consequence the Audit report could not be completed yet, and since the Annual Governance Statement formed part of the Statement of Accounts for the year 2018/19 and the External Auditors were not yet able to present their Audit Results on the Statement of Accounts, it would be more appropriate to withdraw this item and item 9 (Statement of Accounts) until another meeting could be held prior to the 31 July deadline.

It was proposed to hold an Extraordinary General Meeting at 4pm on 18 July at Town Hall, Romford to address these two items. Members considered the possibility of participation in the meeting by conference call for anyone unable to attend and the ability to broadcast the meeting by webcast. Members sought legal advice on the Constitutional impact. Members were advised that no specific provision for such actions were set out in the Constitution.

**Members agreed** to defer this item along with item 9 of the Agenda until an Extraordinary General Meeting is called at 4pm on 18 July at Town Hall, Romford. A survey of Members’ diaries revealed that a meeting on 18 July should be quorate, although two Members indicated they could not attend.

9. **Statement of Accounts and Audit Results Report 2018/19**

**Members agreed** to defer this item along with item 8 of the Agenda until an Extraordinary General Meeting is called on 18 July 2019, as above.

10. **Treasury Management Outturn Report 2018/19**

Members received the Finance Director’s annual outturn report for the year 2018/19 and schedule of Prudential Performance Indicators. This was presented slightly earlier than in previous years as it was thought prudent to bring it into line with the other year-end financial reports. The report detailed the outturn portfolio position, external borrowing requirements, reserves available to fund capital expenditure, capital expenditure and the prudential indicators.

In commentary, the Finance Director advised that there had been improvements in interest rates and Prudential Indicators (as shown in the Appendix) were within limits. No borrowing (est. £0.400m) had been needed in respect of the Landfill Sites review as mentioned in an earlier report (February 2018 Budget & Levy Report). The Revenue contribution to Capital Outlay Reserve stood at £0.100m. An allowance for borrowing an extra £60m was made in the budget in respect of future strategy.

One Member enquired about the current loans with the Public Works Loan Board and high rate of interest applicable and whether refinancing would be an option in respect of the Authority’s future strategy. It was confirmed that refinancing would be considered at that time.

The report concluded that the Authority had managed its Treasury Management arrangements in accordance with the strategy, had kept within its prudential indicators and all investment was carried out in accordance within creditworthiness criteria.

**Members noted** the report.

11. **Internal Audit Progress Report 2018/19, Audit Plan 2019/20 and Planned Audit Coverage to March 2024**

Members received the Internal Audit Progress report 2018/19, Audit Plan 2019/20 and Planned Audit Coverage to March 2024, together with the Finance Director’s commentary.

Members were informed that based on the audit work undertaken during 2018/19, Internal Audit had reached the opinion that the Authority’s overall control framework was generally sound and that core financial systems continued to operate effectively. Risk was proactively approached and there were no fundamental breakdowns in control that would result in material discrepancy. This view had

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been reinforced by the Authority’s External Auditors and aligned with the Annual Governance Statement. Internal Audit had confidence in the overall adequacy and effectiveness of the Authority’s internal controls.

During 2018/19 Internal Audit had focused on Contract Monitoring, Automatic Number Plate Recognition system, Risk Assessment and Business Continuity Planning. Appendix A contained the five-year plan.

The Finance Director advised that risks arising during the year will continue to evolve, but that the main outcomes of the 2018/19 audits were as below.

a) The contract monitoring audit addressed the Contractor’s health and safety arrangements, Constituent Councils’ monitoring and reporting, the Operator’s monitoring of turn-around times and any subsequent performance deductions, non-contract waste controls, contract payments and duty of care in relation to the Operator’s off-takers. Four amber risk and five green risk recommendations were agreed for implementation with ELWA management. No red (high) risk recommendations were made for this audit. Audit found that some areas of monitoring were on hold and these would need to be reintroduced.

b) The ANPR audit identified no red risks, but there is further work to do in 2019/20.

c) The Business Continuity Plan audit identified no red or amber risks, but seven green risks were found. The Plan was on a good trajectory, based around a controlled environment.

The 2019/20 Audit would focus on contract management, in particular core monitoring arrangements and controls to keep non-contract waste to a minimum; weighbridge controls and accounting for non-household waste (replacing pre-scheduled 2019/20 reviews of asset management and closed landfill sites).

Members noted the audit coverage for 2018/19 and agreed the audit coverage for 2019/20 and the Five-Year Strategic Plan at Appendix A of the report.

12. DEFRA Resources & Waste Strategy – Summary of Consultation Responses

Members received the joint report from the Managing Director and Head of Strategy & Development summarising the responses to four consultations issued in February 2019, related to the Government’s Resources and Waste Strategy (issued in December 2018). The Head of Strategy & Development provided brief commentary on the key areas of interests to the Authority and the Constituent Councils. These were:

a) DEFRA’s proposed extended producer responsibility for packaging (funding shift from the public to producers and broadly supported by ELWA);

b) DEFRA’s proposed consistency in recycling collections (a range of measures around the design of household and business recycling collections, some of which were broadly supported, some not supported, and issues around local circumstances and the PFI contract were raised as considerations throughout);

c) DEFRA’s proposed introduction of a Deposit Return Scheme for drinks containers (broadly supported); and

d) HM Treasury’s proposed Plastic Packaging Tax (broadly supported).

It was noted that ELWA and the Constituent Councils were tied into the IWMS contract until 2027 and an enquiry was made as to whether Officers should approach GLA and DEFRA with their concerns around the future and charges. ELWA was in discussion with the Contractor about recyclable waste quality and workshops were to be held to discuss improvement options with Constituent Councils’ officers. ELWA Officers were trying to explore different ways forward whilst working within the current contract. Consideration should be given to having different service and contract structures in the post-IWMS future, whilst moving forward with the Contractor in the short-term.

Members noted the report and agreed further discussions should take place with the GLA and DEFRA in relation to current and future services.
13. **Strategy – Preparations for future wastes management arrangements in East London – Update**

**Members** received the joint report of the Managing Director and Head of Strategy & Development on work undertaken in preparation for future resources and waste management arrangements for East London and progress with the development of a new strategy. The report contained specific aims and objectives for consideration and approval in relation to the East London Joint Resources and Waste Strategy (ELJRWS), as well as details of the three-part strategy structure, and specifically set out details for Part A – maximising waste reduction, reuse and recycling.

The report also noted that officers would be procuring specialist consultancy services in accordance with the principles set out. The subsequent Parts B & C of the ELJRWS were to be about residual waste and infrastructure needs. The Tender documentation for consultancy services would be finalised in consultation with the project team, with the aim of uploading to the consistency framework in late July. Any comments received from Members would be included. A mini competition for pre-procurement specialist consultancy services would be live for 3-4 weeks, followed by summer evaluation with contract award during September. It was anticipated that work to mobilise the consultancy support would be underway by the next Authority meeting.

Members discussed and agreed the draft aims and objectives as outlined in paragraph 5.2 and 5.3 of the report and were keen for cost-effectiveness to be included at 5.2 (d) and asked Officers to make that adjustment.

14. **Riverside Energy Park DCO Application – Update**

**Members** received the joint report of the Managing Director and Head of Strategy & Development. The purpose of the report was to update Members on events, following the delegation of authority to the Managing Director, on 04 February 2019, to make the representation about ELWA’s concerns to the Planning Inspectorate in respect of the second energy from waste facility proposed by Cory Riverside Energy at Belvedere. The Managing Director’s written representation from the Authority was attached as Appendix A. The Managing Director raised concerns in his response under the headings of distribution of EFW facilities, sources of waste, river transport and heat source distribution.

Members noted the report.

15. **Modern Slavery Statement**

**Members** received the Managing Director’s report seeking their approval to the proposed Modern Slavery Statement (MSS) at Appendix A. The Authority was not required to produce such an MSS but for the purpose of best practice it had drawn up the Statement in relation to the supply chain of ELWA Limited and its partners John Laing and Renewi UK Services Limited. The Managing Director explained that Councillor Akwaboah as ‘A’ Director of ELWA Limited had contributed to the ELWA Ltd MSS so that the Authority could, in turn, produce its own Statement.

Members noted the report and approved the Modern Slavery Statement and authorised the Chair to sign the same.

16. **Date of Next Meeting: Friday 28 September 2019 (to Monday 07 October at 9.30 am)**

In accordance with Minute 3 of the meeting of 04 February 2019, Officers had progressed the request to vary the meeting date of 07 October and offered 28 September to Members. The Chair advised that although it was at his request that the revised date was sought, he now found that the original date would suit him better and if convenient with all other Members, it was proposed that the 07 October date be reinstated.

Members agreed to hold the next Authority meeting on 07 October and an offer was made by Councillor Bain to hold the meeting at the Town Hall, Ilford.

17. **Any other public items**

There were none.
18. 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).

19. Minutes - Part 2 (Restricted Items) of previous meeting: 04 February 2019

Members confirmed as true and accurate the minutes of the restricted items discussed at the Meeting held on 04 February 2019. The Chair was authorised to sign the same.

20. Closed Landfills – Wennington Farm & Aveley

Members received the Managing Director’s report and indicated their preferred way forward.

Members noted the report.

21. ELWA Limited Update 08/05/19 Board Meeting

Members received and noted the Managing Director’s report on matters discussed and decided at the Board of ELWA Limited on which Councillor Akwaboah serves as the ‘A’ Director and the Managing Director attended as an Observer.

Chair:  

Date: 07 October 2019
EXTRAORDINARY GENERAL MEETING MINUTES - PART 1
THURSDAY 18 JULY 2019 - (5.00 PM–5.15 PM)

Present:
Councillor O Dervish (Chair), Councillor D Akwaboah, Councillor J Asser (Vice Chair) and Councillor G Kitchen.

Members signed a waiver in respect of their right to receive hard copy of the Agenda papers within the constitutional notice period and agreed to accept late delivery by electronic and tabled copy at the meeting.

The Chair welcomed attendees and apologised for the protracted late start to the meeting which had been caused by travel disruptions. He thanked the Members for their efforts to ensure attendance, thereby making the meeting quorate.

The Chair welcomed Debbie Hanson, Ernst & Young, External Auditor, to the meeting.

1. **Apologies for Absence**

An apology for absence was received on behalf of Councillor S Bain, Councillor R Benham (attended for the formal start time but had to depart before 5 pm), Councillor S Ghani, Councillor J Howard and the Monitoring Officer Fiona Taylor (Paul Feild, Legal Adviser attended).

2. **Declaration of Members’ Interests**

There were none declared.

3. **Annual Governance Statement 2018/19**

Members received the Finance Director’s report, Appendix and commentary on the Annual Governance Statement as required by the Accounts and Audit Regulations. The document took account of the internal audit report, controls, governance arrangements and issues including fraud and required signature by the Authority’s Managing Director and Chair. It was confirmed that the Annual Governance Statement had been signed off on 29 May in accordance with regulations and there were no matters of concern to bring to the attention of Members.

The Annual Governance Statement also reported on improvements and outcomes resulting from the 2017/18 action plan namely Contract Monitoring performance with Constituent Councils and the Contractor and Corporate Governance – Business Continuity.

Matters identified for further development during the 2018/19 review are:

1) Contract Monitoring: the reduction in the number of inspections of key sites undertaken by Constituent Councils should be highlighted, proactively reviewed and escalated if necessary; and

2) Management of ANPR Systems: systems for monitoring and managing frequent site users should be strengthened.

**Members approved** the Annual Governance Statement and noted that the report formed part of the approval of the Statement of Accounts for 2018/19.

4. **Statement of Accounts and Audit Results Report 2018/19.**

Members received the Finance Director’s report, External Audit Results Report 2018/19 (ISA 260), Statement of Accounts for 2018/19 and Letter of Representation. The latter two items required approval.
The Finance Director referred to the change in deadline and the ambitious timetable to be met in order to complete the audit and accounts. She referred to the need for the new external auditors to undertake additional work to satisfy themselves of such matters as opening balances and the main areas of expenditure, which had resulted in late revisions to the report. She apologised for missing the dispatch date caused by the late receipt of the external auditor’s report.

She was pleased to report that only one adjustment was required to the Balance Sheet which related to PFI reduction in liability, and three or four unadjusted items, changes in materiality thresholds and changes to the accounts.

The External Auditor outlined the responsibilities relating to the audit and confirmed a clean opinion had been reached in respect of the Financial Statements and draft.

The External auditor informed Members that waste matters were complex and following a review of the PFI model and accounting by their PFI expert and discussion with Officers, a change in the accounting model was made and was reflected in the PFI liability but not the Comprehensive Income and Expenditure Statement (CIES). After recalculation, a reduction in the balance sheet of £9.7m was required with a corresponding movement in the Capital Adjustment Account. Officers had not amended the entries in the CIES to reflect the new approach in 2018/19. As a result, contingent rent was understated by £0.738m, the cost of services was overstated by £0.118m, lifecycle costs were understated by £0.135m and finance costs were understated by £1.021m. The impact on the entries in the CIES was not material.

She reported that there were no significant risks, apart from those reported by management or disclosed in the report, which were as below.

Misstatements greater than £0.065m identified during the audit and corrected by management were:

1) The Capital Finance Reserve disclosure should be £2m higher having been reported as a net level, however the prudential code stated that this should have been at a gross level. This was amended by management.

2) A reclassification of vehicles plant and equipment (PPE) to land and buildings, as the Authority was showing plant and machinery integral to the use of the land and buildings in a separate line. This was not in line with the Code.

Other minor disclosure issues were contained in the report.

There were no Value for Money matters to report.

Members were informed that the work undertaken on the significant risks would incur an additional fee on top of the indicative fee of £14,068 and that the material errors work may also result in an extra fee being applied.

External Auditors confirmed the unqualified opinion stating that the accounts required adoption by the Authority.

The External Auditor thanked Officers and staff for their efforts when dealing swiftly with the problems that arose.

Clarifications and questions were raised by the Chair and other Members about the External Auditor’s observations and recommendations relating to PPE (plant, property and equipment), MRP (minimum revenue payment) and the PFI leasehold asset adjustment. The External Auditor clarified her rationales, and Members were content.

Members noted the External Auditor’s, Audit Results report and approved the letter of representation and the audited Statement of Accounts for the financial year 2018/19. The letter of representation will be signed by the Finance Director.
5. **Any other public items**

There were none.

6. **Private Business**

There was none.

Chair: ________________________________

Date: 07 October 2019
AUTHORITY REPORT: ANNUAL AUDIT LETTER 2018/19

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 Members are requested to note the Annual Audit Letter.

3. Purpose

3.1 The External Auditor’s letter, attached at Appendix A, is presented to Members for information. The purpose of the letter is to provide a high-level summary of the results of the 2018/19 external audit work undertaken at ELWA.

4. Current Position

4.1 The Code of Audit Practice requires the External Auditors to produce a separate Annual Audit Letter.

4.2 As Members will recall from the July 2019 Authority meeting, the External Auditor issued their Audit Results Report which confirmed that ELWA had been issued with an unqualified opinion on the financial statements and value for money conclusion.

4.3 The difference between the Audit Results Report and the Annual Audit Letter report is that the latter can contain financial recommendations for improvement. The letter does not make any recommendations with regard to the good financial controls and value for money at ELWA.

5. Relevant officer:

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

6. Appendices attached:

6.1 Appendix A: External Auditor’s Annual Audit Letter.

7. Background Papers:

7.1 18/07/2019 Statement of Accounts and Audit Results Report and draft Minute 4.

8. Legal Considerations:

8.1 The legal framework is established by the Audit & Accountability Act 2014 (the Act). It requires that ELWA as a relevant body must have its accounts audited. Regulation 16(1) of the Accounts & Audit Regulations 2015 requires the Authority to publish (which must include publication on its website) a statement that the audit has been concluded and that the statement of accounts has been published, of the rights of inspection conferred on local government electors by section 25 of the Act (inspection of statement of accounts etc.) and an address at which, and the hours during which, those rights may be exercised.

9. Financial Considerations:

9.1 The Annual Audit Letter confirms the efficiency and effectiveness of the Authority’s financial arrangements.
10. **Performance Management Considerations:**
   10.1 As detailed in the Report.

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

12. **Equalities considerations:**
   12.1 There are no specific equality implications arising from this report.

13. **Follow-up Reports:**
   13.1 None.

14. **Websites and e-mail links for further information:**
   14.1 [http://eastlondonwaste.gov.uk](http://eastlondonwaste.gov.uk)

15. **Glossary:**
   ELWA = East London Waste Authority.
   External Auditor = Ernst & Young LLP

16. **Reviewed by Management Board**

17. **Confidentiality:**
   17.1 Not applicable.
Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). It is available from the Chief Executive of each audited body and via the PSAA website OR As part the Auditor Engagement process, we have agreed with you the respective responsibilities of auditors and audited bodies. Copies of the Engagement Letter and Terms and Conditions of our appointment are available from the Chief Executive or via the bodies minutes on their website.

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.
Executive Summary
**Executive Summary**

We are required to issue an annual audit letter to East London Waste Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

<table>
<thead>
<tr>
<th>Area of Work</th>
<th>Conclusion</th>
</tr>
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<tbody>
<tr>
<td><strong>Opinion on the Authority’s:</strong></td>
<td></td>
</tr>
<tr>
<td>▶ Financial statements</td>
<td>Unqualified – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended</td>
</tr>
<tr>
<td>▶ Consistency of other information published with the financial statements</td>
<td>Other information published with the financial statements was consistent with the Annual Accounts</td>
</tr>
<tr>
<td><strong>Concluding on the Authority’s arrangements for securing economy, efficiency and effectiveness</strong></td>
<td>We concluded that you have put in place proper arrangements to secure value for money in your use of resources</td>
</tr>
<tr>
<td><strong>Reports by exception:</strong></td>
<td></td>
</tr>
<tr>
<td>▶ Consistency of Governance Statement</td>
<td>The Governance Statement was consistent with our understanding of the Authority</td>
</tr>
<tr>
<td>▶ Public interest report</td>
<td>We had no matters to report in the public interest</td>
</tr>
<tr>
<td>▶ Written recommendations to the Authority, which should be copied to the Secretary of State</td>
<td>We had no matters to report</td>
</tr>
<tr>
<td>▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014</td>
<td>We had no matters to report</td>
</tr>
<tr>
<td><strong>Reporting to the National Audit Office (NAO) on our review of the Authority’s Whole of Government Accounts return (WGA).</strong></td>
<td>The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.</td>
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Executive Summary (cont’d)

As a result of the above we have also:

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<thead>
<tr>
<th>Area of Work</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.</td>
<td>Our Audit Results Report was presented to the Authority on 18 July 2019</td>
</tr>
<tr>
<td>Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office’s 2015 Code of Audit Practice.</td>
<td>Our certificate was issued on 23 July 2019</td>
</tr>
</tbody>
</table>

We would like to take this opportunity to thank the Authority’s staff for their assistance during the course of our work.

Debbie Hanson
Associate Partner
For and on behalf of Ernst & Young LLP
02

Purpose and Responsibilities
### Purpose and Responsibilities

#### The Purpose of this Letter
The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2018/19 Audit Results Report to the Authority meeting on 18 July 2018, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

#### Responsibilities of the Appointed Auditor
Our 2018/19 audit work has been undertaken in accordance with the Audit Plan dated December 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- Expressing an opinion:
  - On the 2018/19 financial statements; and
  - On the consistency of other information published with the financial statements.
- Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- Reporting by exception:
  - If the Annual Governance Statement is misleading or not consistent with our understanding of the Authority;
  - Any significant matters that are in the public interest;
  - Any written recommendations to the Authority, which should be copied to the Secretary of State; and
  - If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

#### Responsibilities of the Authority
The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
03 Financial Statement Audit
Financial Statement Audit

**Key Issues**

The Authority’s Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority’s Statement of Accounts in line with the National Audit Office’s 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2019.

Our detailed findings were reported to the Authority meeting on 18 July 2018.

The key issues identified as part of our audit were as follows:

<table>
<thead>
<tr>
<th>Significant Risk</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Misstatements due to fraud or error</strong></td>
<td>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied.</td>
</tr>
<tr>
<td>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</td>
<td>We did not identify any other transactions during our audit which appeared unusual or outside the Authority’s normal course of business</td>
</tr>
<tr>
<td>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</td>
<td></td>
</tr>
</tbody>
</table>
Other Key Findings | Conclusion
---|---
**Property, plant and equipment valuations**
The fair value of property, plant and equipment (PPE) represent significant balances in the Authority’s accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

We identified error in the valuation calculations by the Authority’s valuer;
- The first error was in relation to a formula error in the valuer’s workings.
- The second error was in the underlying assumption behind the valuation of PFI assets that were valued using existing use value. These assets were incorrectly valued as freehold assets when they were actually leasehold.

The impact of both of these errors is a decrease to the asset values by £13.5 million.
The corresponding entries are a decrease to the revaluation reserve of £11.2 million and a charge to the comprehensive income and expenditure statement of £2.3 million.

**Incorrect adjustments through the Movement in Reserves Statement**
We identified the adjustments between accounting basis and funding basis under regulations which are reflected in the movement in reserves statement as an area where errors in these adjustments could result in a misstatement of the general fund and other useable reserves.

We have concluded the movements in reserves have been correctly disclosed.
The minimum revenue provision is materially accurate.
We did however identify a disclosure error. The capital financing requirement was reported as a net level, however the prudential code states that this should be at a gross level. The disclosure should therefore be £2 million higher.
The Authority amended the accounts for this error.
Our application of materiality

We identified two areas of higher inherent risk in our Audit Planning Report:

- Pension liability valuation; and
- Implementation of new accounting standards.

There are no issues noted with the work completed on pensions.

The work on implementation of new accounting standards did not identify material misstatements, as outlined below.

<table>
<thead>
<tr>
<th>Item</th>
<th>Thresholds applied</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 9 financial instruments</td>
<td>No issues were identified in the implementation of this new standard</td>
</tr>
<tr>
<td>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</td>
<td></td>
</tr>
<tr>
<td>• How financial assets are classified and measured;</td>
<td></td>
</tr>
<tr>
<td>• How the impairment of financial assets are calculated; and</td>
<td></td>
</tr>
<tr>
<td>• The disclosure requirements for financial assets.</td>
<td></td>
</tr>
<tr>
<td>There are transitional arrangements within the standard and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9.</td>
<td></td>
</tr>
</tbody>
</table>

| IFRS 15 Revenue from contracts with customers | No issues were identified in the implementation of this new standard |
| This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. | |
| The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. | |
| The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. | |
| The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However, where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced. | |
Value for Money
We are required to consider whether the Authority has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

▪ Take informed decisions;
▪ Deploy resources in a sustainable manner; and
▪ Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We did not identify any significant risks around these criteria.

We therefore have no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.
05 Other Reporting Issues
## Other Reporting Issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2018/19 and published with the financial statements is consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Authority is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the return.

We will submit the required confirmation that the Authority is below the threshold in accordance with the deadline set.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.
**Other matters**

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Findings and issues around the opening balance on initial audits (if applicable);
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits

We have no matters to report to you at this stage.
The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

<table>
<thead>
<tr>
<th>Standard</th>
<th>Issue</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS 16 Leases</td>
<td>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</td>
<td>Until the 2020/21 Accounting Code of Practice for Local Authorities or a forthcoming provisions paper is issued by Cipfa there remains some uncertainty in this area.</td>
</tr>
<tr>
<td></td>
<td>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</td>
<td>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</td>
</tr>
<tr>
<td></td>
<td>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</td>
<td></td>
</tr>
</tbody>
</table>
07 Audit Fees
Our fee for 2018/19 is expected to be above the scale fee set by the PSAA as outlined in our Audit Plan and Audit Results Report.

<table>
<thead>
<tr>
<th>Description</th>
<th>Final Fee 2018/19</th>
<th>Planned Fee 2018/19</th>
<th>Scale Fee 2018/19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Fee - Code work</td>
<td>To be confirmed</td>
<td>14,068</td>
<td>14,068</td>
</tr>
<tr>
<td>Total Audit Fee</td>
<td>To be confirmed</td>
<td>14,068</td>
<td>14,068</td>
</tr>
</tbody>
</table>

Note 1:
We identified significant risks, as set out in the Audit Plan, and as a result have had to undertake additional audit work to address these risks which will result in an additional fee. Our audit work has also identified material errors which has also resulted in additional audit work to agree the amendments required to the accounts, and the need for additional fee.

As we have only recently completed the audit we have not yet discussed and agreed the final fee with management. Any additional fee agreed with management will also need to be approved by PSAA.
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ED None

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AUTHORITY REPORT: BUDGETARY CONTROL AND CONTRACT MONITORING TO 31 JULY 2019

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 To note the report and forecast outturn.

3. Purpose

3.1 This budgetary control report compares ELWA’s actual expenditure for the period ended 31 July 2019 with the original revenue budget approved in February 2019. It is based on information supplied by Renewi UK Services Limited (the Operator) and officers of the four Constituent Councils and the Authority’s own information.

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

3.3 This report also provides the Integrated Waste Management Services (IWMS) Contract performance to support the financial information for the year 2019/20 to date.

4. Background

Revenue Budget

4.1 Based on the profiled budget of £24.893m for net expenditure on services and the actual net expenditure on services of £23.105m, the current position is a net underspend of £1.788m to date (see Appendix A).

4.2 The forecast outturn is currently a favourable variance of £1.918m. This is the result of actual tonnages for the first four months being cumulatively lower than profiled, substantially lower than budgeted interest payments and additional income received from commercial waste.

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 2019/20 budget and levy setting process has assumed 462,000. Tonnages for the four months to July 2019 are 2.9% below the profiled budgeted tonnage. Tonnages in July were 109 tonnes under the profiled budget.

4.4 The 2019/20 budget has taken account of the financial impact of the diversion agreement signed in June 2015. This incentivises the operator to divert from landfill as much waste as possible and thus passes the risk of diversion performance on to the Operator. Consequently, diversion performance no longer affects the cost of the contract to ELWA with cost pressures determined by tonnage levels.

4.5 Insurance in the waste market in recent years has seen premiums increase. The next renewal premium is due in December 2019, of which three months will be charged to the 2019/20 budget. The budget is included within the IWMS contract payments.

4.6 The budget for employee costs is £0.607m for 2019/20. The budget was increased from last year to allow for the full year cost of the Head of Strategy and Development post which was filled in January 2018 and for the new post of Head of Waste and Support Services which was filled in June 2019. This budget will be fully spent by the end of the year.

4.7 The capital financing charges budget of £1.914m includes a provision of £1.740m for interest payable on anticipated borrowing of £60m. Borrowing has not yet been undertaken and therefore an underspend relating to the four months to July 2019 is reported.
4.8 Commercial waste includes additional income of £0.153m for 2019/20. This is made up of £0.024m due to actual income for quarter 4 of 2018/19 being higher than estimated at year end and £0.129m higher than budgeted income expected in relation to 2019/20 tonnages. A large part of this additional income relates to the London Borough of Barking & Dagenham’s housing service.

4.9 The new royalty arrangements with the Operator which were provisionally agreed in September 2016 continue. This guarantees royalty payments to the Authority up to the level of spare capacity whether this was utilised or not. At this stage royalty income is forecast to be in line with budget at year end (£0.341m) and is reported within Other Income. This position will need to be closely monitored because increases/decreases in future monthly tonnage levels will alter the spare capacity available and thus the size of the royalty payment. Based on tonnages to date it is likely that the target will be met by year end.

4.10 The contingency budget for 2019/20 remains at £0.500m. There are no commitments against this budget as at July 2019.

4.11 All other areas of activity are forecast to be in line with budget at year end.

4.12 The position and forecast of the budget, levy and the reserves over the next few years has been reported to Members previously and as part of the 2018/19 levy setting process reserves were set at the appropriate level and the contingency was increased to cover these risks. It is important, therefore, that robust monitoring of the financial position throughout the year remains in place and, in particular, that tonnage levels are minimised. Given the single purpose nature of ELWA it is difficult for remedial action to be taken on areas of overspend or to recover insufficient income collection.

5. Prudential Indicators

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

6. Contract Monitoring

Contract Tonnage

6.1 The July tonnage was 41,826 tonnes, 2,215t more than July 2018 and 109t lower than the anticipated budget for the month.

6.2 To date we are 2,216t lower than at this stage in 2018, and 4,805t under budget.

6.3 The increase against June was primarily in collected household waste from the kerbside (12%), recycling from the kerbside (10%) and Reuse and Recycling Centre (RRC) waste (9%). The additional day in July, and three additional working days, account for this increase.
Contract Performance

6.4 July’s recycling performance was 26.7%, a drop against June. Collected recycling tonnage actually increased at a similar rate to household waste as detailed above, but due to the significantly larger volumes of household waste in the overall tonnage the recycling performance was pushed down.

6.5 The recycling split by material stream for the month shows increases in all but the Mechanical and Biological Treatment facility (MBT) recycling against last July. The Dry Mixed Recycling (DMR) continues to benefit from the change to a higher performing offtaker, while weather conditions have been more conducive to green waste growth than the hot, dry summer of 2018.

6.6 The increase in ‘Other’ recycling performance can largely be attributed to additional efforts to capture recycling from residual streams such as Street Cleansing and Bulky Waste. Furthermore, some MBT tonnage was transferred internally during the month which led to
it being categorised as ‘Other’ on this occasion and accounting for the apparent drop in MBT recycling when it did in fact increase against last year.

6.7 Each Constituent Council’s recycling performance is set out in the table below. It should be noted that while performance is higher than the full year 2018/19, the year to date figures cover a period typically better for recycling due to higher green waste inputs.

<table>
<thead>
<tr>
<th>Constituent Council Recycling</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>July 2019</td>
</tr>
<tr>
<td>2019/20 to date</td>
</tr>
<tr>
<td>2018/19 (full year)</td>
</tr>
</tbody>
</table>

6.8 Landfill diversion performance dropped below 99% for the first time in a number of months. This was a result of an Energy from Waste (EfW) facility in the Netherlands, one of the major destinations for ELWA’s Refuse Derived Fuel, having to effectively shut down which in turn put pressure on a second facility in the Netherlands which Renewi were exporting to. In a very short time frame all exports to the Netherlands were suspended and Renewi had to quickly secure outlets elsewhere, both domestically and in Europe.

6.9 The result was the landfilling of approximately 400t of waste which otherwise would have been exported. However, all waste (excluding certain hazardous streams) was again being diverted from landfill within a week and performance was maintained at a high level.

6.10 Renewi continues to seek longer term deals to secure RDF offtake, particularly in the UK, to limit the risk of a disruptive Brexit and possible implementation in 2020 of prohibitive import taxes in the Netherlands. This is detailed further elsewhere in these reports.
Contract Monitoring

6.11 All sites continue to operate to specification. Some delays were experienced at Jenkins Lane due to the suspension of RDF exports detailed above, as more RDF was leaving site loose for domestic offtakers rather than being baled. Less loose material can be loaded onto haulage vehicles and therefore more vehicles were needed on site, increasing traffic. This eased as export routes to alternative destinations became available.

Communications

6.12 Keep Britain Tidy continue to conduct school visits and host sessions at the education centre at Jenkins Lane.

6.13 The Authority together with the Operator, Renewi, and the Contractor, ELWA Ltd have formally invited the four local Mayors from the Constituent Councils to visit the Frog Island waste treatment facility in Rainham together, for a brief presentation on how recycling and waste is managed in practice in East London. This visit was well received last year and has therefore been arranged for 2019 on 4 November at 10.00am.

6.14 The visit will include a tour of the facility, questions and answers, lunch and an offer of support to each of the Mayor’s charitable fund-raising work from our Contractor.

Contract Insurance

6.15 ELWA Ltd (the Contractor) is obliged to place annual insurances. This obligation is stepped down to Renewi (the Operator), whose officers have worked with an insurance broker to provide appropriate cover for 2019/20.

6.16 The cover for 2020 is now being negotiated by Renewi’s broker who has reported continued difficulties including a reduced capacity in the market place, further significant fire losses in the waste market and the impact of uncertainty caused by two significant years of losses in the insurance market.

6.17 The timetable for renewing insurances will continue to November before final draft values can be confirmed; however, officers will continue to pursue indicative figures at the earliest opportunity with the aim of bringing matters back to the next Authority meeting.
7. **Conclusion**

7.1 The Authority’s position will continue to be closely monitored on a monthly basis throughout the financial year. The ability to remain within budget will depend to a great extent on tonnage trends and income collection.

8. **Relevant officer:**

8.1 Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3861 and Andrew Lappage, Managing Director / 020 8724 5614 / e-mail: andrew.lappage@eastlondonwaste.gov.uk

9. **Appendices attached:**

9.1 Appendix A: Budget Monitoring Statement to 31 July 2019

9.2 Appendix B: ELWA Tonnage Profile 2019/20

10. **Background papers:**


11. **Legal considerations:**

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

12. **Financial considerations:**

12.1 As outlined in the main body of the report.

13. **Performance management considerations:**

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

14. **Risk management considerations:**

14.1 The projected position depends on the performance of the contractor, tonnage levels and income recoveries. The amount of reserves is set at a level to take account of the risks.

15. **Equalities considerations:**

15.1 None.

16. **Follow-up reports:**

16.1 Budgetary Control Report, next meeting.

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

17.1 https://eastlondonwaste.gov.uk/

18. **Glossary:**

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

The Contractor = ELWA Limited

ELWA/the Authority = East London Waste Authority
IWMS = Integrated Waste Management Services contract
MBT = Mechanical Biological Treatment facility
MDR = Mixed Dry Recycling

Offtaker – a company that takes recyclables and/or refuse derived fuel from the Operator
Operator = Renewi UK Services Limited (formerly Shanks Waste Management Ltd)

RRC = Reuse & Recycling Centre

19. **Reviewed by Management Board**

19.1 23 September 2019.

20. **Confidentiality:**

20.1 Not Applicable.
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## BUDGET MONITORING STATEMENT TO 31 JULY 2019

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>Original Budget 2019/20</th>
<th>Profiled Budget to 31/07/19</th>
<th>Total Actual to 31/07/19</th>
<th>Variance to 31/07/19</th>
<th>Forecast Outturn to 31/07/19</th>
<th>Outturn Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee and Support Services</strong></td>
<td>0.607</td>
<td>0.202</td>
<td>0.188</td>
<td>(0.014)</td>
<td>0.607</td>
<td>-</td>
</tr>
<tr>
<td><strong>Premises Related Expenditure</strong></td>
<td>0.176</td>
<td>0.065</td>
<td>0.093</td>
<td>0.028</td>
<td>0.176</td>
<td>-</td>
</tr>
<tr>
<td><strong>Supplies and Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IWMS Contract Payments</td>
<td>65.567</td>
<td>23.977</td>
<td>22.830</td>
<td>(1.147)</td>
<td>64.420</td>
<td>(1.147)</td>
</tr>
<tr>
<td>Supplies-other</td>
<td>0.206</td>
<td>0.069</td>
<td>0.061</td>
<td>(0.008)</td>
<td>0.206</td>
<td>-</td>
</tr>
<tr>
<td>Payments to Constituent Councils</td>
<td>3.126</td>
<td>0.781</td>
<td>0.772</td>
<td>(0.009)</td>
<td>3.088</td>
<td>(0.038)</td>
</tr>
<tr>
<td>Capital Financing Costs</td>
<td>1.914</td>
<td>0.621</td>
<td>0.041</td>
<td>(0.580)</td>
<td>1.334</td>
<td>(0.580)</td>
</tr>
<tr>
<td><strong>TOTAL GROSS EXPENDITURE</strong></td>
<td>71.596</td>
<td>25.715</td>
<td>23.985</td>
<td>(1.730)</td>
<td>69.831</td>
<td>(1.765)</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>(2.677)</td>
<td>(0.669)</td>
<td>(0.693)</td>
<td>(0.024)</td>
<td>(2.830)</td>
<td>(0.153)</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>(0.060)</td>
<td>(0.020)</td>
<td>(0.067)</td>
<td>(0.047)</td>
<td>(0.060)</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>(0.380)</td>
<td>(0.133)</td>
<td>(0.120)</td>
<td>0.013</td>
<td>(0.380)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>(3.117)</td>
<td>(0.822)</td>
<td>(0.880)</td>
<td>(0.058)</td>
<td>(3.270)</td>
<td>(0.153)</td>
</tr>
<tr>
<td>Contingency</td>
<td>0.500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.500</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET EXPENDITURE ON SERVICES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFI grant receivable</td>
<td>(3.991)</td>
<td>(0.998)</td>
<td>(0.998)</td>
<td>-</td>
<td>(3.991)</td>
<td>-</td>
</tr>
<tr>
<td>Levy Receivable</td>
<td>(67.488)</td>
<td>(22.496)</td>
<td>(22.496)</td>
<td>-</td>
<td>(67.488)</td>
<td>-</td>
</tr>
<tr>
<td>Net Contribution to reserves</td>
<td>2.500</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.500</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET</strong></td>
<td></td>
<td>1.399</td>
<td>(0.389)</td>
<td>(1.788)</td>
<td>(1.918)</td>
<td>(1.918)</td>
</tr>
</tbody>
</table>
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## ELWA Tonnage Profile 2019/20

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>39,088</td>
<td>39,063</td>
<td>(25)</td>
</tr>
<tr>
<td>May</td>
<td>39,919</td>
<td>41,130</td>
<td>1,211</td>
</tr>
<tr>
<td>June</td>
<td>44,007</td>
<td>38,125</td>
<td>(5,882)</td>
</tr>
<tr>
<td>July</td>
<td>41,935</td>
<td>41,826</td>
<td>(109)</td>
</tr>
<tr>
<td><strong>YTD</strong></td>
<td><strong>164,949</strong></td>
<td><strong>160,144</strong></td>
<td><strong>(4,805)</strong></td>
</tr>
<tr>
<td>August</td>
<td>39,848</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>40,340</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>37,922</td>
<td></td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>37,181</td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>34,942</td>
<td></td>
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<tr>
<td>January</td>
<td>37,642</td>
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<tr>
<td>February</td>
<td>32,013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>37,163</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>462,000</strong></td>
<td><strong>160,144</strong></td>
<td><strong>(4,805)</strong></td>
</tr>
</tbody>
</table>
AUTHORITY REPORT: IWMS CONTRACT – CONTRACT EFFICIENCIES & IMPROVEMENTS

1. Confidential Report
1.1 No.

2. Recommendation:
2.1 To note the current position in relation to:
   a) discussions with the Operator (Renewi UK Services Limited) about future contract efficiencies and improvements; and, in particular,
   b) how the diversion from landfill and recycling rates at the four Reuse and Recycling Centres (RRC’s) can be improved.

3. Purpose
3.1 This report covers matters arising as part of the management of the Integrated Waste Management Services contract (IWMS), namely efficiencies and improvements.

4. Background
4.1 As noted in the minutes of the September 2018 Authority meeting, officers have been working with the Operator (Renewi) on options for contract improvements that may be introduced, ideally without additional cost to the Authority. The Operator appointed a new Contract Director for the IWMS that month, and whilst his initial focus has been on operational changes and reviews of practices across both Mechanical Biological Treatment (MBT) facilities (resulting in a number of changes and improvements to the MBT process earlier this year that are welcome), more recently discussions have moved on to changes and actions to improve the reuse and recycling rate achieved locally.

4.2 The strengthening of the Authority’s officer team with the appointment in June 2019 of a new Head of Waste & Support Services is assisting the identification of opportunities for such changes, and their implementation.

5. Improvements at the MBT Facilities
5.1 The MBT facilities at Frog Island and Jenkins Lane were built using the same design template that allows for breaking down and treating collected household waste from the Constituent Councils. This management of the waste uses a drying process to reduce moisture content and hence overall mass, followed by a largely automated sorting (refinement) process that removes metals, aggregate and glass. Organic fines (small items of food/garden waste) and Refuse Derived Fuel (RDF) form the major outputs in terms of weight.

5.2 During 2019 the Operator (Renewi) has been conducting a series of changes to this process, some routine planned maintenance work and other elements driven from an internal process review with no financial implications on the Authority. These measures include clearing drainage channels in the concrete floor of the processing buildings to improve airflow and therefore efficiency of the MBT process. Other changes include operational changes to the refinement process that should improve the recovery of materials such as aggregate, glass and metals.

5.3 Jenkins Lane improvement works were completed in the first quarter of 2019 and similar works have now been completed for Frog Island during the second quarter of 2019. Early performance data suggests an improvement in the separation of recycling at both facilities combined of around 2.4% (14.95% in July 2018 to 17.36% in July 2019).
5.4 It is too early to attribute all of this improvement in performance to the changes made in the facilities; however, early results are promising and will continue to be monitored to see if the impact is long term.

6. Review of the RRCs (Reuse and Recycling Centres)

6.1 Over the last few months the Authority’s Head of Waste & Support Services has been visiting the four RRCs and ancillary facilities (i.e. tipping facilities for the Constituent Councils) with a view to reporting inefficient practices and identifying opportunities to bring in best practice, from elsewhere. These visits have been made jointly with senior management from the Operator (Renewi) to discuss on site issues such as infrastructure, range of facilities offered, signage, layout, staffing and public (customer) engagement.

6.2 It was agreed that the amount of waste deposited in bays or areas marked for general (non-recyclable) waste was in excess of levels expected from such sites generally. A significant amount of the material seen in these areas could easily be recycled suggesting the users were either unaware of the recycling opportunities or unwilling to engage.

6.3 A summary of observations and recommendations are highlighted:

a) There is some inconsistency across the RRCs in terms of layout, signage and staffing (numbers, role and performance).

b) Basic infrastructure is sound with space generally not a restricting factor for performance. The need for continuing maintenance work including road markings to improve traffic flows and direct users to recycling facilities was also noted.

c) The RRCs have a good range of recycling facilities but some further opportunities could be exploited to provide a wider range, e.g. carpets.

d) Reuse opportunities need to be explored further as this is minimal across all sites.

e) Signage could be clearer and made simpler for the public using common terminology and numbering for bays.

f) Entrance and exit signs can be improved to ensure users are clear of the purpose of the site (a reuse and recycling centre).

g) Customer journey mapping suggests that the layout of the sites could be improved to ensure recycling facilities are easier to reach and identify. This includes issues such as un-marked wheeled bins placed near rubble bays that are for users to recycle their plastic rubble sacks.

h) Staffing on site needs greater focus and emphasis on encouraging users to reuse and recycle their waste. This includes proactively offering support for those recycling but more importantly challenging those heading straight for the non-recycling bays.

i) Support for those users that are not recycling could be offered in the way of pictorial leaflets that cross language barriers, better signage and direct interception support.

6.4 Overall it is suggested that the greatest improvements to recycling performance at the RRCs would be seen from better engagement with users. This would enable greater public participation in recycling at the sites which, combined with layout changes, better signage and consistency across all sites, should achieve higher recycling rates.

6.5 Continuous dialogue with the Operator’s senior management has resulted in a number of the observations being enacted already, with many more planned for the forthcoming months. Some areas of improvement are classified as routine maintenance such as road markings etc, whilst other areas are a recognition that increased spend e.g. on new numbered signs, may have a direct impact on performance and landfill diversion.
6.6 The Operator has also engaged positively with suggestions of staff training and actions to encourage residents to no longer put recyclable wastes in the general (non-recyclable) waste containers or bays on site. Staff numbers have already been reviewed to ensure consistency with best practice. It has been recommended that their role and training will play a significant role in ensuring staff are effective in improving performance.

7. Transfer/Bulky Waste Areas

7.1 The transfer / bulky waste facilities provided at Frog Island and Jenkins Lane where the Constituent Councils bring in bulky household waste, fly-tipped waste and street cleansing waste have also been monitored in recent months. These areas are widely used with significant vehicle movements and amounts of waste deposited.

7.2 Initial observations suggest that these facilities are not being used to their best potential. The number and frequency of vehicle movements combined with the multi-purpose nature of the waste loads being delivered mean that the crews from the Constituent Councils have developed practices that are not conducive to recycling the waste being delivered.

7.3 Following dialogue with the Operator (Renewi), a recommendation has been put forward to keep street cleansing waste separate from other wastes. This bagged waste is very similar in composition to household collected waste and can therefore be served well by the MBT facilities at Frog Land and Jenkins Lane, where recyclables will be extracted.

7.4 Bulky waste and fly-tipped waste can be separated on site to ensure larger items are diverted for recycling. Despite recycling facilities being available on all sites for mattresses, wood, fridges and metals, evidence has identified these materials are simply dropped in one area mixed together, and left. Initial changes provided by the Operator (putting all waste stream bays together) have made it simpler for waste brought in mixed to be separated and recycled. Dialogue with the Constituent Councils’ Operational Managers has now commenced to introduce minor operational changes e.g. loading and unloading waste according to the type of material, and help improve recycling performance.

7.5 Furthermore, some waste streams are being presented at the transfer facilities that should not be collected. This includes a significant number of good quality shopping trollies as well as commercial waste presented in street cleansing bags and other commercial operators’ bags. Continued dialogue with Constituent Councils should reduce this through better training and awareness.

8. Kerbside Collection of Dry Mixed Recycling (DMR)

8.1 The DMR collected by the four Constituent Councils as part of their kerbside collections provides a significant amount of material that contributes towards the recycling performance (see table below).

<table>
<thead>
<tr>
<th>2018/19</th>
<th>LBBD</th>
<th>LBH</th>
<th>LBN</th>
<th>LBR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total household waste (HHW) arisings (t)</td>
<td>94,211</td>
<td>105,624</td>
<td>120,581</td>
<td>105,755</td>
</tr>
<tr>
<td>Kerbside DMR delivered to the Operator(t)</td>
<td>5,272</td>
<td>12,450</td>
<td>12,224</td>
<td>12,426</td>
</tr>
<tr>
<td>DMR as a proportion of HHW arisings</td>
<td>6%</td>
<td>12%</td>
<td>10%</td>
<td>12%</td>
</tr>
</tbody>
</table>

(t) means tonnes
8.2 The DMR figures above do not account for materials rejected by the Material Recycling Facilities (MRFs) as contamination (non-recyclable items that have been incorrectly placed in bins/bags/boxes by residents). Contamination rates vary month by month and can depend on both the quality of the inputs and the capability/design of the MRF being used. Material that cannot be recycled is processed into RDF and diverted from landfill.

8.3 Havering’s DMR is sent to Biffa’s facility in Edmonton which typically reports contamination of between 11% and 15%. Redbridge’s material contains very low contamination primarily due to the kerbside sort collection process.

8.4 Until late 2018 Barking & Dagenham and Newham’s DMR, which is tipped at Jenkins Lane and bulked together, was being processed at Mid-UK’s MRF in Lincolnshire and contamination averaged at around 45%. However, a switch to PDMR’s MRF in Kent which is designed to process a lower quality input saw contamination rates fall below 20%. This was a positive outcome, but it does somewhat distort the comparison with the other Constituent Councils as the PDMR MRF is not representative of the standard processing model.

8.5 The variable quality of kerbside material is dependent upon the level of engagement residents have with the local scheme together with how the scheme is designed and operated. This quality reflects the level of resource needed to sort the DMR at MRFs and hence the cost of managing the recycling. In general terms the higher the quality of material collected, the lower the cost of managing this waste through a MRF as evidenced by increased costs to the Operator in now using the PDMR facility to maximise efficiency and increase recycling performance. The use of this and other facilities utilised since the mothballing of the Jenkins Lane MRF in 2016 is kept under review to ensure the most effective and efficient MRF is used for the quality of material collected.

8.6 Initial discussions were held with the Operator earlier this year to assess the possibility of shared savings through future improvement of the quality of DMR collected, the merits of which were initially considered with Constituent Council officers as any quality increase was likely to require some level of investment; the business case for this is being kept under review. In addition, it is proposed to work with the relevant officers within the Constituent Councils to identify and examine other options for improving the quality of the material collected, whether through the design of the service, the level of engagement with the residents through education and awareness raising, and/or enforcement. Much of this work will now be framed by work with the consultants to be appointed to advise on the East London Joint Resources and Waste Strategy, Part A.

9. **Renewi Service Delivery Plans**

9.1 As part of a contract requirement the Operator is obliged to prepare and submit annual and budget service delivery plans (ABSDP) and five-year service delivery plans (FYSDP) to the Authority. The current five-year plan expires in March 2020 and hence a new five-year plan is being prepared at the same time as the ABSDP for 2020/21.

9.2 The plans identify actions, proposals and information on how the Operator will deliver the service, meets its contractual obligations, targets and meet the challenges over the forthcoming period. Service improvements can vary from small-scale operational changes e.g. staff focus and training, to larger-scale capital projects e.g. replacement of the floors in the MBT treatment facility buildings.

9.3 Both the ABSDP and FYSDP are being drafted with officer input from the Authority to ensure the focus and direction reflect the future needs and aspirations of the Authority. It is anticipated that any budgetary implications of the plans will be met from either the Operator or from within existing ELWA budgets.
10. Conclusions

10.1 There are several areas for improving the overall performance of the IWMS Contract that can be introduced at relatively low or nil cost to the Operator (Renewi) over a relatively short period of time. Some of these have already been acted upon by the Operator and their positive response should be recognised. Other changes are being pursued with the relevant organisation and will collectively help provide a platform for change that will see both landfill diversion and recycling rates increase.

10.2 Authority officers are confident that with co-operation from Constituent Councils in making relatively minor operational changes, combined with a level of understanding and co-operation from the Operator to adopt best practice, the overall performance of the IWMS Contract will gradually increase.

11. Relevant officer:

11.1 Andrew Lappage, Managing Director / Tel: 020 8724 5614 / email: andrew.lappage@eastlondonwaste.gov.uk; and Neil Greenhalgh, Head of Waste & Support Services / Tel: 020 8724 2730 / email neil.greenhalgh@eastlondonwaste.gov.uk.

12. Appendices attached:

12.1 None.

13. Background Papers:

13.1 17/09/18 Confidential Minute 12.

14. Legal Considerations:

14.1 There are no specific legal implications from this report.

15. Financial Considerations:

15.1 No financial implications for the Authority from the identified improvements are foreseen at this stage.

16. Performance Management Considerations:

16.1 This report notes work to develop the IWMS in new ways in order to improve outcomes.

17. Risk Management Considerations:

17.1 Any new proposals for change under the IWMS will be risk-assessed as they are defined.

18. Equalities considerations:

18.1 There are no specific equalities implications arising from this report.

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

19.1 http://www.eastlondonwaste.gov.uk

20. Glossary:

ABSDP = Annual Budget and Service Delivery Plan

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

DMR = Dry Mixed Recycling
ELWA /the Authority = East London Waste Authority
FYSDP = Five Year Service Delivery Plan
HHW = Household Waste
IWMS = Integrated Waste Management Services contract between the Authority and ELWA Ltd
MRF = Material Recycling Facility
Operator = Renewi UK Services Limited (employed by ELWA Ltd)
RRCs = Reuse and Recycling Centres

21. **Reviewed by Management Board:**


22. **Confidentiality:**

22.1 Not applicable.
AUTHORITY REPORT: BREXIT PREPARATIONS

1. Confidential Report:
   1.1 No.

2. Recommendation:
   2.1 It is recommended that the Authority notes the report.

3. Background:
   3.1 As the UK prepares to leave the European Union (EU) at the end of October 2019, the waste sector has raised concerns about the prospect of more waste being diverted to landfill should we leave without a deal. Reports in the press\(^1\) suggest a no-deal outcome will disrupt the export of millions of tonnes of waste to facilities in the EU, leaving the United Kingdom (UK) without sufficient capacity to manage waste away from landfill. As UK waste is exported to the EU for refused derived fuel (RDF) and materials for recycling (recyclables), the potential impact on the UK’s landfill diversion performance is increased.

   3.2 The waste industry recognises the potential for increased delays in transport due to enhanced customs and border controls for the UK as a non-EU State; market differentials due to lapsed agreements or legal frameworks that make it more difficult for the UK to continue to deliver waste into EU waste treatment facilities; the knock-on effect of price increases due to waste being retained in the UK together with exchange rate fluctuations.

   3.3 These potential changes create an uncertain future. Waste disposal authorities in the UK and waste management companies involved in treating and disposing of UK waste are putting in place a number of risk mitigation measures to try and avoid potential increased costs and reduction in landfill diversion performance.

4. Key Mitigation Measures Being Undertaken
   4.1 Recognising industry concerns Defra has met with waste industry groups to develop contingency plans for a no deal Brexit. Media reports\(^2\) identify a number of measures taken nationally including agreements to rollover consents to export RDF from the UK to every EU country, and the Environment Agency plans to potentially relax or change landfill permit controls to allow for UK waste to be landfilled that would have otherwise been exported.

   4.2 Authority officers have been in dialogue with our Operator (Renewi UK Services Limited), to understand preparations being made in advance of Brexit to ensure business continuity and risk management in times of uncertainty. This not only includes measures for exporting waste to the EU and beyond, but also for the import of materials, plant, equipment and spares from the EU into the UK.

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4.3 Outlined in Appendix A are details of the measures being taken and in summary include:

a) Provision of additional storage space for waste in case of transport delays for waste destined to leave the two Mechanical Biological Treatment (MBT) facilities at Frog Island and Jenkins Lane.

b) Negotiation of alternative markets for RDF and recyclables in the UK as opposed to export.

c) Consideration of contingency transport measures with third party hauliers for border delays and potential heavy goods vehicle (HGV) driver shortages.

d) General efficiency improvements to ensure continuity of inputs during routine and planned maintenance for the latter part of 2019.

4.4 As Brexit continues to dominate UK media reports and the end of October deadline approaches the Authority will continue to monitor and keep under review contingency plans for dealing with our waste. The management of these risks through the proposals outlined in this report will help prevent financial and performance failures.

5. AEB Energy Recovery Facility (Amsterdam) and Dutch Efw Tax Proposals

5.1 Members may also be aware of firstly the recent unexpected reductions in the capacity of the Amsterdam Energy Recovery Facility (ERF) that Renewi has relied upon to a fairly significant extent; and secondly the Dutch government’s climate change proposals that include an energy from waste (EfW) tax of €32 per tonne on imported wastes. This has been widely covered in the media and in particular industry related coverage has highlighted significant problems for the UK to find alternative outlets for the circa two million tonnes of residual waste that is exported to Holland.3

5.2 Renewi has been aware of the growing concern over the situation in Holland for some time and their strategy for managing this has been to secure alternative markets through short-term contracts and spot-deals in advance of any potential tax changes. This action has enabled Renewi to withdraw from the Amsterdam ERF in August and divert waste to alternative facilities in the UK, Germany and Scandinavia.

5.3 Whilst these changes accommodate short-term issues in the RDF market, Renewi will be keeping the situation under constant review to ensure end markets can be secured sustainably for the long-term.

6. Conclusion:

6.1 It appears that the continuing uncertainty over the UK’s proposed withdrawal from the EU and the subsequent negotiation of future trading arrangements with the EU and others will continue to have a significant impact on the political agenda for the foreseeable future, given the extent to which resources and waste move across borders. The European Union (Withdrawal) Act 2018 (EUWA) translates all EU law into UK law until such time that primary legislation makes any required or desired changes. It is reported that this process could take up to two years.

3 https://www.rdfindustrygroup.org.uk/resources/
6.2 The actions taken to date by Renewi to foresee and overcome any potential difficulties have been considered in light of other waste disposal authorities that face similar uncertainties. It is officers’ opinion that these actions are appropriate at this stage. It is clear however, that with the political landscape changing almost daily we will need to ensure these actions are kept under close review.

7. Relevant officers:

7.1 Andrew Lappage, Managing Director / e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614 and Neil Greenhalgh, Head of Waste & Support Services, e-mail: neil.greenhalgh@eastlondonwaste.gov.uk / 020 8227 2730.

8. Appendices attached:

8.1 Appendix A: Renewi’s East London Waste Brexit Preparation Activity paper

9. Background Papers:

9.1 None.

10. Legal Considerations:

10.1 Under the Constitution, the Authority sets policy, corporate direction and policy related matters for ELWA. The report has identified the relevant themes arising from the impending Brexit at the end of October 2019 and plans being put in place to reduce the risk of environmental performance falling and financial impact rising.

10.2 The European Union (Withdrawal) Act 2018 (EUWA) repeals the European Communities Act 1972 (ECA) on the day the United Kingdom leaves the European Union. The Act ends the supremacy of European Union (EU) law in UK law, converts EU law as it stands at the moment of exit into domestic law, and preserves laws made in the UK to implement EU obligations. It also creates temporary powers to make secondary legislation to enable corrections to be made to the laws that would otherwise no longer operate appropriately once the UK has left, so that the domestic legal system continues to function correctly outside the EU.

10.3 Any question as to the interpretation of retained EU law will be determined by UK courts in accordance with relevant pre-exit Court of Justice of the European Union (CJEU) case law and general principles, subject to the other exceptions and restrictions within the EUWA. For example, CJEU case law on chemicals, waste and habitats includes judgments on the application of the precautionary principle to those areas. This will therefore be preserved by the EUWA.

10.4 Currently Defra publishes significant data on the implementation of environmental laws (e.g. waste, water quality, air quality), for scrutiny by parliamentary committees as well as the EU. The reporting requirements post EU exit, for systematic reporting on implementation of environmental laws will be replicated with requirements for the Secretary of State to publish implementation reports and data.

10.5 Finally, the Government confirms that international arrangements such as the Basel Convention on the Movement of Hazardous Wastes will remain in place. In the event the UK leaves the EU without a deal, the UK would be treated in the same way as any other OECD country, or any country that is party to the Basel Convention, looking to export waste to an EU country. UK exporters would need to familiarise themselves with the customs guidelines the EU has laid down for imports of waste from outside the EU.
11. Financial considerations:

11.1 There are no direct financial implications arising from this report at this stage however, the impact of Brexit is being closely monitoring and any change to this position will be reported at the earliest opportunity.

12. Performance management considerations:

12.1 With increasing concerns over the export of waste to Europe, and in particular RDF, there is an increased risk that waste may be sent to landfill thus reducing East London Waste Authority’s overall diversion performance.

12.2 The report highlights measures being undertaken to counter these risks and prepare for waste to be treated or managed either in the UK, in parts of Europe other than Holland, or outside of Europe should the need arise. Current performance projections are on target as determined by the Annual Budget & Service Delivery Plan (ABSDP).

13. Risk management considerations:

13.1 As outlined in the report and in particular Appendix A.

14. Equalities considerations:

14.1 At this stage it is not possible to identify and assess equalities considerations as the proposals are UK-wide.

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


15.2 [https://www.bbc.co.uk/news/business-49440290](https://www.bbc.co.uk/news/business-49440290)


15.4 [https://www.rdfindustrygroup.org.uk/resources/](https://www.rdfindustrygroup.org.uk/resources/)


16. Glossary:

ABSDP = Annual Budget & Service Delivery Plan

CJEU = Court of Justice of the European Union

DEFRA = Department for Environment Food & Rural Affairs

ELWA/the Authority = East London Waste Authority

ERF = Energy Recovery Facility

EU = European Union

ECA = European Communities Act 1972

EUWA = European Union (Withdrawal) Act 2018

HGV - Heavy Goods Vehicle
MBT = Mechanical Biological Treatment
Operator - Renewi UK Services Limited (formerly Shanks Waste Management Ltd)
UK = United Kingdom
RDF = Refuse Derived Fuel

17. Reviewed by Management Board:
17.1 23 September 2019.

18. Confidentiality:
18.1 Not applicable.
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EAST LONDON WASTE BREXIT PREPARATION ACTIVITY

The UK’s decision to leave the European Union (Brexit) means that we must meet the challenges that this decision will bring. In order to ensure that our business remains sustainable, we have put into effect a number of strategies with the aim of making the transition away from EU membership as seamless as possible for both Renewi and our valued customers and business partners:

1. We have considered the potential impact of changes to Customs borders, tariffs, costs and administrative workload, as well as the likelihood of exchange rate volatility
2. We have researched the implications of potential tariff and duty changes, as well as possible increased lead times
3. We have undertaken a review of our supply chain to mitigate the impact of any major changes following Brexit and accept that policies and processes may require amendment in due course.

Additionally we widely employ the services of forwarders and agents who have “Approved Economic Operator” status.

Contingency Plan Activities

In preparation for a ‘No Deal Brexit,’ we have:

- Completed the upgrade to the Mojito site at Frog Island to provide additional storage space to store bales for 72 hours if needed (on stand trailers)
- Assessed potential UK destinations for RDF to reduce our exposure to export delays. We are currently in negotiation with various companies to take volume
- Reviewed potential UK destinations for recyclables to reduce our exposure to export delays
- Worked with our export hauliers looking at their own contingency arrangements for situations such as vehicle hold-ups at borders, possible HGV driver shortages etc.
- Clarified that Defra has secured consent for the roll-over of waste export notifications with all EU member states in the event of a ‘no deal’ Brexit scenario which means that existing
approvals that permit the shipment of notified waste from the UK will remain valid should the UK leave the EU without an agreement in place

- Clarified the risk of delays at the ports on the inbound journey with the UK authorities indicating they (at least for the first weeks following Brexit) intend to allow trucks to enter the UK with minimal / no checks to prevent delays

- Worked with other companies offering customs clearance, to help mitigate any issues seen as a result of potential hold-ups

- Renewi are registered for an Economic Operator Registration and Identification (EORI) number

- Implemented the process of making efficiency improvements within our operation to ensure continuity of incoming volume whilst we conduct a hall floor replacement programme

- We have also put plans in place to ensure we have an operating system to take waste in and dispose of it in the event we cannot export at all or in the quantities we need to ensure smooth operation. This is based on sending some quantities of waste to Landfill and we have various alternatives to do this in the event of export issues.

August 2019
AUTHORITY REPORT: DEFRA RESOURCES AND WASTE STRATEGY – SUMMARY OF GOVERNMENT RESPONSES TO CONSULTATION FEEDBACK

1. Confidential Report:
1.1 No.

2. Recommendation:
2.1 It is recommended that Members note the report.

3. Purpose:
3.1 This report provides an overview of how Government has responded to the feedback submitted through the consultations on the Resources and Waste Strategy (RWS) that closed in mid-May.

4. Background:
4.1 The Environment Secretary announced plans for a new Resources and Waste Strategy in July 2017, to replace the last strategy that the Department for Environment, Food and Rural Affairs (DEFRA) had published in 2007 and updated to some extent in 2011.

4.2 There was engagement with local government and the waste industry during the intervening 18 months while the strategy was produced, and officers from ELWA have had direct contact with senior officials from DEFRA to discuss the content and direction alongside other waste disposal authorities and to share experience.

4.3 The final Resources and Waste Strategy (RWS) was published on 18 December 2018, and sets out how the country will preserve material resources by minimising waste, promoting resource efficiency and moving towards a circular economy. It is divided into eight chapters covering different aspects of resources and waste, with issues of relevance to ELWA and the Constituent Councils throughout.

4.4 Four consultations were issued by the Government in February 2019:
   a) DEFRA – Extended Producer Responsibility (EPR) for packaging
   b) DEFRA – Consistency in recycling collections
   c) DEFRA – Introduction of a Deposit Return Scheme (DRS) for drinks containers
   d) HM Treasury – Plastic packaging tax

4.5 ELWA officers compiled responses to each of these consultations, working closely with officers from the Constituent Councils to finalise positions on the numerous proposals contained within them.

4.6 The draft responses were circulated to Members on 30th April for comments, with final submission to the Government by the Authority on 10th May.
5. **Government Responses to Consultations**

5.1 This section provides a high-level summary of the Government’s stated positions on how proposals will be taken forward following the four consultations.

5.2 Notable deviations from the positions taken by the Authority in its own consultation response are noted in this report.

**Extended Producer Responsibility (EPR)**

5.3 The Government received 679 responses to this consultation, including 226 from local government.

5.4 The Government has acknowledged the feedback it has received, both in support of introducing an EPR for packaging and also raising concern about some of the proposals. However, no further indications have been given as to which direction it will choose to take its policies, other than that it will introduce an EPR from 2023.

5.5 The Government will spend the remainder of 2019 using the feedback and evidence received through the consultation to inform how it develops policy. Further proposals will then be brought forward for consultation in 2020.

5.6 The Government intends to seek primary powers through the Environment Bill to enable it to implement EPR systems.

**Consistency in Recycling Collections**

5.7 The Government received 1,713 responses to this consultation, of which 1,182 were from individuals and 531 from organisations (including 241 from local government).

5.8 A more comprehensive response has been provided for this consultation than for EPR. The Government has noted that it has published the summary of responses earlier than required owing to the high level of public and stakeholder interest in recycling and the proposals that were set out in the consultation.

5.9 The Government has said it intends to take forward some of the proposals from the consultation to make certain services mandatory. Such a change to legislation would mean that the Government was obligated to fund the additional costs incurred by local authorities to deliver the new statutory requirements, under the New Burdens Doctrine. However, during the consultation period officials from DEFRA noted that they expected EPR funding to make a significant contribution to the costs of dry recycling collections (which was in part why all these changes were planned to happen at the same time in 2023), and no indication has been given in the consultation that this position has changed.

5.10 The Government plans to seek to amend legislation to require local authorities to collect a core group of six materials from 2023, including glass and plastic pots/tubs/trays (which are not accepted in commingled recycling services in East London). It is not clear what caveats there may be related to this requirement, such as the TEEP (technically, economically and environmentally practicable) test that was applied to a similar requirement that already exists under the Waste Regulations 2011.

5.11 The Government has acknowledged the differences in opinion and variety of issues/barriers raised through consultation responses on its proposals around requiring source-segregated collection of dry recycling, and has not committed to any particular policy direction in this area at this stage.

5.12 The Government also plans to legislate to require local authorities to provide householders with a separate food waste collection from 2023, preferably not mixed with garden waste. However, it has been acknowledged that there will be a need to consider local circumstances, particularly in relation to the challenges of successfully delivering such collections in very rural areas or at flatted properties.
5.13 It should be noted that there has not been an acknowledgement from Government of the point that was raised by the Authority about the role that mechanical-biological treatment (MBT) has in recovering organic waste from residual waste so that it can be composted, which could mean that separate collections are not required in East London until after the MBT facilities at Jenkins Lane and Frog Island are taken out of use.

5.14 The Government has noted the significant differences in opinion it received in consultation responses about the proposals to mandate free green garden waste collections, and has noted that it will conduct further work on this area before making a decision about whether to proceed with this policy proposal.

5.15 The Government plans to proceed with developing statutory guidance on minimum service standards following strong support from consultees. However, the large negative response from local authorities to the proposals to mandate a minimum of alternate-weekly collection for residual waste means that the Government is going to give further consideration to this proposal and undertake more analysis of costs/benefits.

5.16 The Authority raised a concern that the linking of the minimum service standards to the payment of EPR funds, which was proposed by the Government, would be a route to forcing service changes on local government without offering any financial support under the New Burdens Doctrine. The Government has neither addressed this proposal nor acknowledged the Authority’s concerns in its response.

5.17 The Government has acknowledged the strong support for its proposals on recycling communications and improving transparency on end markets, but has indicated no further actions or policies in this area other than continuing to work with Waste and Resources Action Programme (WRAP) to develop best practice.

5.18 There was support for developing non-binding performance indicators and introducing alternatives to weight-based metrics. The Government has indicated that it will work on these, and will look at running trials with local authorities over the coming years.

5.19 The Government intends to amend legislation to require businesses to segregate recyclable materials from residual waste, although it has indicated there may need to be assessments of local circumstances, special measures for small/micro businesses, and greater consideration of how implementation will work. A timescale has not been provided for this.

5.20 There appears to be support for the proposal to have glass, other mixed dry recycling and food waste as the three minimum required waste streams. However, the Authority had responded that the same principles of segregation being applied to household waste (where paper is recommended to be kept separate from other dry materials, rather than glass) should be applied to businesses so that consistency and economies of scale can apply across household-like waste collection services.

5.21 There was broad support for improving data collection on waste and recycling performance in the non-household municipal waste sector, with a variety of opinions summarised (including the Authority’s position that such reporting should align with the requirements already in place for household waste). The Government will undertake further work in this area.

Deposit Return Scheme (DRS)

5.22 The Government received 793 responses to this consultation, including 122 from local government.

5.23 The positive response to the proposals in the consultation means that Government intends to seek primary powers through the Environment Bill to implement a DRS.

5.24 A second consultation is planned to be run in early 2020 on the regulatory framework for introducing a DRS through secondary legislation, with further information on the proposed
scope, model and design of the scheme included following the completion of further research that the Government has commissioned.

5.25 The DRS scheme will be launched in 2023, and the Government has indicated that it would be responsible for issuing communications on this aspect before those responsibilities transferred into the scheme itself.

5.26 There was broad support for the principles of a DRS set out by the Government, although some of the concerns raised by consultees have been acknowledged. These include concerns from local authorities that the introduction of a DRS could be at the detriment of existing kerbside collections. The Government notes that it has commissioned a social research project on consumer attitudes towards a DRS in order to develop an impact assessment and assess any unintended consequences.

5.27 The consensus of consultation responses appears to be in line with the Authority’s position in relation to the scope of a DRS, with regards to types and sizes of drinks containers included in a scheme. Where the Government had proposed to limit a DRS to plastic bottles and cans, and was inclined towards an ‘on the go’ model where the scope was limited to containers under 750ml in capacity, respondents have for the most part said that all types and sizes of drinks containers should be included to reduce consumer confusion and unintended consequences. The Government has noted this feedback, and indicated that it may look at containers up to 3 litres in size, but will be undertaking further work on this alongside the development of an impact assessment for the DRS proposals.

5.28 The Government has noted the level of support for its proposed definition of producers who would be obligated to join a DRS through payment of a producer fee (principles that the Authority supported in its response), and intends to proceed according to those proposals, i.e. producers will be defined as those who place on the market drinks in containers within scope of the DRS. This will include brands, supermarkets who have own-brand products, and those who import drinks from abroad.

5.29 The Government has not given any indication of how it intends to take forward the proposals for how a DRS would be managed and governed, and has noted that it will continue to work with industry to develop these further. However, the feedback received from consultees on the Deposit Management Organisation (DMO) appears to be broadly in line with the Authority’s position.

5.30 Similarly, the Government intends to continue developing proposals as to how a DRS (and associated DMO) would be set up and financed.

5.31 There is a brief mention of the financial flows proposed for the DRS, but the Government has not acknowledged the Authority’s point that local authorities were not shown on either the financial or material flow diagrams in the consultation.

Plastic Packaging Tax

5.32 The Government received 436 written responses to this consultation, including 103 from organisations (including local government).

5.33 The Government had already stated that it intended to take forward the new tax for an April 2022 introduction, and the consultation was focused on the detail of its design and implementation. This position does not appear to have changed following the consultation, with a plan to set out the next steps at Budget 2019, publish a technical consultation on the detail of the tax design ‘at a later date’, and publish draft legislation for consultation in 2020.

5.34 Extensive summaries of responses have been provided, with a Government response to each. However, there are few commitments or firm statements about how proposals may either be taken forward or amended, with the responses instead acknowledging the support provided or challenges raised, and indicating that some further work may be done before legislation comes forward.
5.35 There was broad support for the Government’s proposals for some elements of the tax design, but significant disagreement with others. A wide range of opinions and alternative options appear to have been submitted in these areas, with various potential consequences of different proposals highlighted.

5.36 The consultation response summary has not directly acknowledged the concern raised by the Authority that the setting of a 30% threshold for recycled content across all packaging could result in manufacturers simply shifting recycled content from some products where higher levels are already being achieved (such as bottles) over to other products, thus not driving any increase in demand for recycled content. However, a similar desire to avoid unintended consequences or loopholes appears to have come out of other concerns raised. And since the publication of the response summary, officers have pressed this single point with HMT again.

5.37 The position taken by the Authority on the application of the tax on imported products appears to have been supported by a majority of respondents.

5.38 The Government has made a commitment to carefully consider any potential impacts on lower income groups or those with protected characteristics when designing the tax, which is line with the concerns raised by the Authority about the new tax being potentially regressive in nature.

6. Resources and Waste Sector Deal

6.1 An organisation called the Resources Council has been assembled ‘to represent a broad range of expertise from across the resources sector’. Members are private companies or independent consultants operating in this sector, with WRAP also included. DEFRA, BEIS and the Environment Agency are observers, whilst oversight and administration for the body is provided by the Environmental Services Association, the trade association for the private sector in the waste and resources industry.

6.2 The Resources Council has proposed a Sector Deal with Government, which would be a collaborative model of working established under the Industrial Strategy to boost the earning power and productivity of the sector. This arrangement would be negotiated with BEIS as the department responsible for the Industrial Strategy, but DEFRA would play an important role as the department responsible for waste and resources.

6.3 The Resources Council has issued a consultation document related to the offer the sector plans to make the its associated requests for what the Government would commit to in response. The consultation closes on 18 October.

6.4 The proposals set out in the consultation document do not acknowledge the role of local government in the delivery of services within the sector (numerous local authorities directly deliver waste and resources services through in-house operations, whilst several have now established wholly-owned companies as an alternative means of delivery; and the remainder specify and commission services from the private sector), and there is no local government representation on the Resources Council.

6.5 ELWA officers will prepare a response to the consultation, stressing the point above while responding more directly to some of the proposals set out.

7. Next Steps

7.1 The Authority will continue to work with peer network groups, such as National Association of Waste Disposal Officers (NAWDO) and London Environment Directors’ Network (LEDNeT), to identify and explore opportunities to work with the Government on developing its proposals prior to the further formal consultations that have been proposed for 2020.
7.2 The Authority will also be working with the IWMS Private Finance Initiative (PFI) Operator, Renewi, and other users of similar MBT technology, to determine if there is a viable evidence base that can be developed to present to Government in relation to the requirement for separate food waste collections from 2023.

8. Relevant officers:
8.1 Andrew Lappage, Managing Director / e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614 and Jon Hastings, Head of Strategy & Development / 020 8724 3678/ email: jon.hastings@eastlondonwaste.gov.uk.

9. Appendices attached:
9.1 None

10. Background papers:
10.2 10 May 2019 The final ELWA responses to the consultations were emailed to Members (cc’d to Board) by Andrew Lappage on 10th May at 16:18.

11. Legal considerations:
11.1 The Government consultations propose to require producers to take greater responsibility for their products throughout their life cycle. The Authority has supported the proposal of a deposit system where viable to encourage the producers to maintain an economic interest in the management of their products in their journey, ensuring as little as possible ends up as waste.

11.2 As stated, with ELWA committed to the IWMS Private Finance Initiative (PFI) Contract until 2027, we will be constrained by the options and obligations within the contract which limit flexibility due to the long term investment and will thus favour initiatives of extended producer responsibility and that producers pay the full recovery cost.

12. Financial considerations:
12.1 The proposals within the Strategy may have significant financial implications for the Authority and Constituent Councils which will be assessed as the implications of the proposals become clearer.

13. Performance management considerations:
13.1 Implementation of the RWS may result in updated or additional performance management indicators against which the Authority and Councils have to report. However, details of these will not be known for some time. There are no other performance management considerations.

14. Risk management considerations:
14.1 The RWS sets out areas where Government is proposing to legislate for change to how waste management services are provided, which may result in either service changes that have to be implemented by the Authority and/or Councils, or changes that may impact on the quantity and types of materials presented for collection and treatment. Officers will minimise the risks and impacts by keeping abreast of proposed and confirmed changes, and updating the Corporate Risk Register as appropriate.
15. **Equalities considerations:**

15.1 None at this stage, but equalities considerations may arise in the above consultations and may therefore inform the Authority’s responses.

16. **Follow-up reports:**

16.1 As required.

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

17.1 Authority website: http://eastlondonwaste.gov.uk/

17.2 RWS full documentation: https://www.gov.uk/government/publications/resources-and-waste-strategy-for-england

17.3 Summary and Government response documents:


18. **Glossary:**

BEIS = Department for Business, Energy and Industrial Strategy

Constituent Councils / the Councils = London Borough Councils of Barking & Dagenham, Havering, Newham & Redbridge

DEFRA = Department for Environment, Food and Rural Affairs

DMO = Deposit Management Organisation (central body running a deposit return scheme for drinks containers)

DRS = Deposit Return Scheme

ELWA / the Authority = East London Waste Authority

EPR = Extended Producer Responsibility

HMT = Her Majesty’s Treasury

IWMS = Integrated Waste Management Services contract

LEDNet = London Environment Directors’ Network

MBT = Mechanical-biological treatment facilities at Jenkins Lane and Frog Island that process residual waste to recover recyclable materials and produce fuels for subsequent energy recovery
NAWDO = National Association of Waste Disposal Officers (generally the most senior officer working full-time on waste management matters in waste disposal authorities, including unitary authorities)

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

PFI = Private Finance Initiative

RWS = Resources and Waste Strategy 2018 (DEFRA publication with the formal title “Our Waste, Our Resources: A Strategy for England”)

TEEP = technically, economically and environmentally practicable

WRAP = Waste and Resources Action Programme

19. Reviewed by Management Board:

19.1 23 September 2019.

20. Confidentiality:

20.1 Not applicable.
AUTHORITY REPORT: STRATEGY – PREPARATIONS FOR FUTURE WASTE MANAGEMENT ARRANGEMENTS IN EAST LONDON - UPDATE

1. Confidential Report

1.1 No.

2. Recommendations

2.1 The Authority is asked to note progress on the development of a new joint resources and waste strategy.

3. Purpose

3.1 This report is an update on work on preparations for future resources and wastes management arrangements for East London.

4. Background

4.1 The Authority was provided with a report at the Annual General Meeting on 28 June 2019 to update Members on progress with developing a new East London Joint Resources and Waste Strategy (ELJRWS). It set out the principles of how officers would procure environmental consultancy support, including two workshop sessions to agree the main specification requirements that would be put out to tender.

4.2 The report also proposed draft Aims and Objectives for the ELJRWS, which Members approved.

5. Procurement Update

5.1 ELWA officers have issued a tender for consultancy services to deliver forecasting, modelling, stakeholder engagement, public consultation and strategy drafting for Part A of the ELJRWS, a Waste Reduction, Reuse and Recycling Strategy.

5.2 The tender documents were issued through the Eastern Shires Purchasing Organisation (ESPO) Framework 664 for Consultancy Services, which includes a lot dedicated to the supply of such services relating to waste and recycling. (A lot is a sub-division of the framework containing suppliers who work or provide services in the specified industry sector).

5.3 ELWA engaged Elevate to provide procurement support for this tender. Elevate is a joint venture between London Borough of Barking & Dagenham (LBBD) and Agilisys, a provider of digital and business solutions. Elevate was established in 2010, and already provides ELWA with ICT services on behalf of LBBD.

5.4 The tender documents were issued through Elevate’s ‘BRAVO’ e-procurement system on 21 August, closing on 18 September.

5.5 The names of the tenderers are given in Confidential Appendix A.

5.6 At the time of writing this report, evaluation of the tender submissions is being carried out by ELWA and Constituent Council officers.

5.7 The tenders are being evaluated on a 70% quality and 30% price basis. Scores for the latter were based primarily (25%) on the overall price submitted for the project, along with a smaller element (5%) for the ‘day rate’ costs the consultancies would charge for doing additional work.
The evaluation of quality is being undertaken using eight ‘method statements’ that the tenderers were required to submit. These were to provide details on how they would deliver against the following activities (weightings in brackets):

a) Forecasting of future waste generation (14%)
b) Modelling waste reduction and reuse (8%)
c) Modelling waste services (14%)
d) Strategy development and impact assessments (8%)
e) Engaging with stakeholders (6%)
f) Public engagement and consultation (6%)
g) Calibre of the staff and sub-contractors being assigned to the project (8%)
h) Project management approach (6%)

The evaluation process is starting with individual marking, which is then followed by a meeting on 25 September to agree a consensus set of scores. Following this individual and group scoring, a Moderation Day will take place on 30 September when tenderers will be invited to present their proposals and answer clarification questions from the panel. At the conclusion of this day, the top scoring tenderer will be confirmed. The Authority’s Managing Director will then award the contract in accordance with the Constitution. The winning tenderer will attend the Authority Meeting to be introduced to Members.

6. Flats Performance Modelling

During the development of the specification for the consultancy services, ELWA engaged with the London Waste and Recycling Board (LWARB) to explore potential opportunities for joint working or sharing of information on recycling performance in flats.

LWARB has recently completed a project in partnership with Peabody Housing Association to test a number of different interventions at blocks of flats to determine how effective they were at promoting recycling amongst residents. The interventions tested included improvements to bin stores, new signage and door-to-door communications, and the impacts were measured using waste compositional sampling.

LWARB will be providing the data from this project to ELWA to enable the findings to be incorporated into the modelling that the consultancy has been asked to undertake specifically on recycling performance in blocks of flats. The sizes of the datasets from this project are not as large as would normally be required for accurate modelling, but they still represent the best available information.

In order to expand on the findings already delivered through the Peabody project, LWARB has begun a scoping exercise to understand what would be required to generate a statistically relevant and reliable set of data on the amounts and types of waste and recycling produced by flats. A consultant has been appointed by LWARB to undertake this scoping work, and ELWA has joined the project as the main local authority representative organisation to assist in taking the research forward.
6.5 The scale of the work that would be required to produce reliable datasets could be expensive, so LWARB has not committed to proceeding with the programme beyond the scoping stage. However, ELWA has built flexibility into the ELJRWS Part A specification to allow for the data that might be produced from such a programme becoming available in late 2020, for incorporation into the models as a means of checking assumptions and improving on forecasts.

7. **Next Steps**

7.1 As noted in the body of this report, it is planned that the evaluation of the tenders for the ELJRWS Part A consultancy services will be completed on 30 September.

7.2 The winning bidder will be invited to attend the Authority Meeting on 7 October.

7.3 An Inception Meeting, project milestones, workshop dates and arrangements for modelling work with the Constituent Councils will be agreed with the winning bidder once the contract award has been made. The development of the strategy will require significant officer input at the Authority and the Constituent Councils, and will also be seeking Member input at several key stages. ELWA’s Head of Strategy and Development will manage the project, with support from a Project Team comprised of an officer from each of the Constituent Councils. The project will be overseen by the ELWA Management Board (the Project Board), with the Managing Director as the overall Project Sponsor.

8. **Relevant officers:**

Andrew Lappage, Managing Director / e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614; and Jon Hastings, Head of Strategy & Development / 020 8724 3678/ email: jon.hastings@eastlondonwaste.gov.uk.

9. **Appendices attached:**

9.1 Appendix A – Summary of Tenders Received (circulation restricted.) See Agenda Item 14.

10. **Background papers:**

10.1 29 June 2018 Preparations for Future Wastes Management Arrangements Report and Minute 13

10.2 17 Sept 2018 Preparations for Future Wastes Management Arrangements – Update Report and Minute 7

10.3 28 June 2019 Preparations for Future Wastes Management Arrangements – Update Report

11. **Legal considerations:**

11.1 The procurement has been carried out in accordance with the Authority’s Contract Rules as set out in the Authority’s Constitution.

11.2 As set out in the body of the report ELWA has opted for the Eastern Shires Purchasing Organisation (ESPO) Framework 664. The evaluation and selection will follow the procurement requirements.

11.3 The legal team will continue to assist and advise in supporting this workstream.

12. **Financial considerations:**

12.1 The Authority has set up a Strategy Reserve to cover the costs arising out of the development and planning for post 2027 waste disposal arrangements. The reserve currently stands at £11.109m and will be drawn on as appropriate during the year;
consequently, there is no separate strategy expenditure included in the budget and levy approved by the Authority on 4 February 2019.

13. **Performance management considerations:**
13.1 ELWA and Council officers will draw on their own experiences and will seek advice from peers and external advisers as necessary in order to develop recommended changes to local services in a way that meets the needs and aspirations of residents, local businesses and Members.

14. **Risk management considerations:**
14.1 Risk management will form a fundamental part of the development and delivery of new waste management arrangements, in terms of project management, technical and planning deliverability assessments, wider stakeholder management, and especially in relation to any potential impacts of the above on current services.

15. **Equalities considerations:**
15.1 The ELJRWS will have an equalities impact assessment as part of its development. The engagement and management of external advisers will have full regard to equalities considerations.

16. **Follow-up reports:**
16.1 As required.

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

18. **Glossary:**
Constituent Councils / the Councils = London Borough Councils of Barking & Dagenham (LBBD), Havering, Newham & Redbridge

ELJRWS = East London Joint Resources and Wastes Strategy (to guide the development of waste facilities and services)

ELWA / the Authority = East London Waste Authority

ESPO = Eastern Shires Purchasing Organisation

LWARB = London Waste and Recycling Board

19. **Reviewed by Management Board**
19.1 23 September 2019.

20. **Confidentiality:**
20.1 Not Applicable.
THE CIRCULATION OF AGENDA ITEMS 14, 15, 16 AND 17 HAS BEEN RESTRICTED TO MEMBERS AND SPECIFIC OFFICERS ONLY