NOTICE OF MEETING

Monday 11 September 2017
CEME Conference Centre, Marsh Way, Rainham, RM13 8EU – 9.00 am

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

Sharon Lea
Interim Managing Director
01 September 2017
Tel: 020 8724 5614
E-mail: sharon.lea@eastlondonwaste.gov.uk

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 the minutes of the Authority’s Extraordinary General Meeting held on 18 July 2017 and authorise the Chair to sign the same. (pages 1 - 2)
For Information: 4. Annual Audit Letter 2016/17 (pages 3 - 12)
For Information: 5. Treasury Management Outturn 2016/17? (pages 13 - 20)
For Information: 7. Date of next meeting: 20 November 2017
Members are asked to note the date of the next Authority meeting.
For Information: 8. Any other public items which the Chair decides are urgent.
For Decision 9. To consider whether it would be appropriate to pass a resolution pursuant to Section 100A (4) of the Local Government Act 1972. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.
Confidential Business

The public and press have a legal right to attend ELWA meetings except where business is confidential or certain other sensitive information is to be discussed. At the time of publishing this Agenda there were no confidential or exempt items.

For Decision 10. Future Management Arrangements - Replacement Managing Director (to follow)

This report is restricted to Members and specific officers only.

For Information 11. ELWA Limited 27/07/17 Board Agenda (pages 31 - 43)

This report is restricted to Members and specific officers only.


For Decision 13. Any other confidential or exempt items which the Chair decides are urgent.
EXTRAORDINARY GENERAL MEETING MINUTES:
18 JULY 2017

Present:
Councillor K Clark (Chair), Councillor S Bain (Vice Chair), Councillor S Kelly, Councillor P Murphy and Councillor J Wade.

21. Apologies for Absence
An apology for absence was received on behalf of Councillor O Dervish, Councillor J Howard and Councillor L Rice.

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

23. Minutes of previous meeting (19 June 2017 AGM)
Members confirmed as true and accurate the minutes of the Annual General meeting held on 19 June 2017. The Chair was authorised to sign the same.

24. Minutes of previous meeting (27 June 2017 EGM)
Members confirmed as true and accurate the minutes of the Extraordinary General meeting held on 27 June 2017. The Chair was authorised to sign the same.

25. Statement of Accounts & Auditor’s Report 2016/17:
Members received the Finance Director’s report on the Statement of Accounts for 2016/17, together with the Statement of Accounts, the Auditor’s report and draft letter of representation. Members were advised by the Finance Director that they were being asked to approve the audited Statement of Accounts and Governance Statement earlier this year as a trial run for the tighter timetable of 31 July applicable for the 2017/18 accounts next year. Draft copies of both had been signed off on 31 May ahead of the 30 June deadline. It was expected that the Authority would receive an unqualified opinion and certificate on the Accounts.

The Finance Director introduced the External Auditor, Neil Hewitson, KMPG. He attended to present commentary and detail to those charged with governance.

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 audit had identified a significant risk in relation to the Triennial Valuation and he confirmed checks had been undertaken for completeness and accuracy which resulted in a clean bill of health being issued. There were no issues to report in respect of Value for Money. Members received confirmation of the Audit fee of £18,720 plus VAT.

Members were reminded that once approved, the Annual Governance Statement would be signed by the Chair and Interim Managing Director.

External Auditors confirmed the unqualified opinion stating that the accounts needed to be adopted by the Authority.

Members considered the draft letter of representation and approved the Annual Governance Statement and Statement of Accounts. The letter of representation at Appendix B will be signed by the Finance Director.

The Chair congratulated everyone for achieving this good result.

Members thanked the External Auditor for his attendance and contribution before he left the meeting.
26. **Date of Next Meeting:**

Members noted the date of 11 September 2017.

27. **Any other public items**

There were none.

28. **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 paragraphs 1, 3, 4 and 8 respectively of part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

29. **Management Arrangements – Interim Managing Director**

Members received an update and presentation on the future organisational options, including appointment of a replacement Managing Director, from the Interim Managing Director and on her deliberations and actions since being in post from end June.

Members actively discussed ELWA’s future management arrangements and, based on their discussions on the possible scenarios presented, confirmed their thoughts and direction as to the way forward. Members asked the Interim Managing Director to present a decision-making report, based on their preference, for formal confirmation at the next meeting.

Members agreed to hold a ½ day informal workshop in September to discuss future strategy.

Minutes agreed as a true record.

Chair:

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Date:

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AUTHORITY REPORT: ANNUAL AUDIT LETTER 2016/17

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 2016/17 external audit work undertaken at ELWA.

4. Current Position

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

4.2 As Members will recall from the July 2017 Authority meeting, the External Auditor issued their ISA 260 report, which presented that ELWA had been issued with an unqualified opinion about the financial statements and value for money conclusion.

4.3 The difference between the ISA260 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:


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 which 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 have been published, of the rights on 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:**

15. **Glossary:**
15.1 ELWA = East London Waste Authority.
15.2 ISA 260 = International Standards on Auditing.

16. **Approved by Management Board**

17. **Confidentiality:**
17.1 Not applicable.
Annual Audit Letter
2016/17

East London Waste Authority

August 2017
This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment’s website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Neil Hewitson, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.
Section one

Headlines

This Annual Audit Letter summarises the outcome from our audit work at East London Waste Authority in relation to the 2016/17 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate key messages to external stakeholders, including members of the public, and will be placed on the Authority’s website.

We have issued our certificate to confirm the completion of our audit responsibilities for the 2016/17 audit year.

### VFM conclusion

We issued an unqualified conclusion on the Authority’s arrangements to secure value for money (VFM conclusion) for 2016/17 on 20 July 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.

To arrive at our conclusion we looked at the Authority’s arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties. We undertook a risk assessment as part of our VFM audit work to identify key risk areas that might impact on our VFM conclusion. We did not identify any significant matters or risk within the Authority.

### Audit opinion

We issued an unqualified opinion on the Authority’s financial statements on 20 July 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.

### Financial statements audit

As part of our 2016/17 financial statements audit:
- We received a good first draft of the financial statements supported by clear working papers.
- One significant adjusted audit difference was identified. This was in relation to the presentation of an additional fixed asset worth £2.7m which was provided by Shanks Ltd for no cost, which had been included in the Cash Flow Statement as cash expenditure.
- We did not identify any significant matters which we were required to report to ‘those charged with governance’.
- We have not raised any recommendations that require action by management.

### Other information accompanying the financial statements

Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.

### Whole of Government Accounts

The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We are not required to review the pack in detail as the Authority falls below the threshold where an audit is required. As required by the guidance we have confirmed this with the National Audit Office.

### Certificate

We issued our certificate on 21 August 2017. The certificate confirms that we have concluded the audit for 2016/17 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

### Audit fee

Our fee for 2016/17 was £18,720, excluding VAT. This is the same as in prior year and in line with PSAA set fee for the year. Further detail is contained in Appendix 2.
This appendix summarises the reports we issued since our last Annual Audit Letter. These reports can be accessed via the Authority Meetings pages on the Authority’s website at www.eastlondonwaste.gov.uk

Appendices

Appendix 1: Summary of reports issued

- **Audit Fee Letter (April 2017)**
  The Audit Fee Letter set out the proposed audit work and draft fee for the 2017/18 financial year.

- **External Audit Plan (June 2017)**
  The External Audit Plan set out our approach to the audit of the Authority’s financial statements and to work to support the VFM conclusion.

- **Auditor’s Report (July 2017)**
  The Auditor’s Report included our audit opinion on the financial statements along with our VFM conclusion.

- **Report to Those Charged with Governance (July 2017)**
  The Report to Those Charged with Governance summarised the results of our audit work for 2016/17 including key issues as a result of our observations. We also provided the mandatory declarations required under auditing standards as part of this report.

- **Annual Audit Letter (August 2017)**
  This Annual Audit Letter provides a summary of the results of our audit for 2016/17.
Appendix 2: Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

**External audit**

Our final fee for the 2016/17 audit of the Authority was £18,720 which is in line with the planned fee.

**Other services**

We did not charge any additional fees for other services.
Dear Maria

Audit of accounts 2016/17 – Notice of certification of completion of the audit

I am pleased to advise you that the audit of East London Waste Authority’s accounts for the year ending 31 March 2017 has been completed.

An unqualified opinion on the accounts was issued on 20 July 2017. On the same date we also issued an unqualified conclusion on the Authority’s arrangements for securing value for money.

We have not had to exercise any statutory audit powers under the Audit & Accountability Act 2014 (the Act).

May I draw your attention to Regulation 16(1) of the Accounts & Audit Regulations 2015 which 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 have been published;
- of the rights on inspection conferred on local government electors by section 25 of the Act (inspection of statement of accounts etc.); and
- setting out the address at which, and the hours during which, those rights may be exercised.

Yours sincerely

Neil Hewitson
Director, KPMG LLP
AUTHORITY REPORT: TREASURY MANAGEMENT OUTTURN 2016/17

1. Confidential Report
1.1 No.

2. Recommendations
2.1 To note this report.

3. Introduction
3.1 The Treasury Management Strategy including borrowing and investment strategies is approved by Members on an annual basis. The 2016/17 Strategy was agreed in February 2016 and this report details the outturn against the background of this Strategy.

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

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

3.4 This report is presenting to Members the Treasury Outturn for 2016/17 and covers all borrowing and investment activities undertaken during the last financial year.

4. Outturn Portfolio Position

The Economy and Interest Rates

4.1 The two major landmark events that had a significant influence on financial markets in the 2016/17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in the Bank of England’s Bank Rate would happen, pushing it back from quarter 3 2018 to quarter 4 2019. At its 4 August meeting, the Monetary Policy Committee (MPC) cut the Bank Rate from 0.5% to 0.25% and the Bank of England’s Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting the Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.

4.2 In the second half of 2016, the UK economy confounded the Bank’s pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the
MPC did not cut the Bank Rate again after August but since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling following the referendum.

4.3 Investment deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.

**Investments**

4.4 The Authority is required to produce an Annual Investment Strategy that sets out the Authority’s policies in managing its investments. This was approved by Members as part of the Treasury Management Strategy at the meeting in February 2016.

4.5 The main objective of the investment strategy is to ensure the security of investments the Authority makes and also to maintain the liquidity of its investments in order to meet known liabilities. To meet this requirement, the Authority has approved creditworthiness criteria which must be strictly adhered to when making investment decisions.

4.6 The Authority followed a prudent investment strategy with an operational lending list comprising financial institutions considered highly rated or who were part owned by the Government. All investment activity was carried out in accordance with the approved creditworthiness criteria.

4.7 The summary position for the Authority in terms of investments at 31 March 2017 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31/03/16 £m</th>
<th>31/03/17 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Short Term</td>
<td>7.838</td>
<td>8.313</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7.838</strong></td>
<td><strong>8.313</strong></td>
</tr>
</tbody>
</table>

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

4.9 In 2008, Heritable Bank went into administration owing ELWA £1.000m principal and £0.055m interest.

4.10 In August 2015 the Administrators, Ernest & Young LLP announced a dividend of £0.042m bringing the total received to £1.034m, equal to 98 pence in the pound.

4.11 The administrators applied to the Court of Session (Scotland) to further extend the administration period for another year, with the intention of making a final monetary distribution to creditors once all matters are concluded. However it can be assumed that this will not be of material value.

4.12 No further dividends have been received.
External Borrowing

4.13 The total borrowing at 31 March 2017 was £1.250m consisting of Public Work Loans Board (PWLB) loans on a fixed rate basis. This falls within the set limits for external debt and interest rate exposure for fixed rates as per Appendix A.

4.14 The external borrowing position is summarised below:

<table>
<thead>
<tr>
<th></th>
<th>31/03/16</th>
<th>Average Rate</th>
<th>31/03/17</th>
<th>Average Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Works Loans Board</td>
<td>1.250</td>
<td>10.02%</td>
<td>1.250</td>
<td>10.02%</td>
</tr>
</tbody>
</table>

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

5. External Borrowing Requirements

5.1 In February 2016 the Authority was advised that the financing of future capital expenditure would be via the temporary use of cash balances or to raise loans via the PWLB and capital markets. The Authority was also advised that as a result of the ongoing review of landfill sites ELWA might need to make arrangements to finance estimated capital expenditure of £0.400m in 2016/17.

5.2 Should additional borrowing be required, the Authority will be able to claim the PWLB’s Certainty Rate Discount. The Certainty Rate Discount was introduced by the Government in 2012. It provides a 20 basis point discount on standard PWLB rates for new borrowing. The certainty rate was made available from 1 November 2012 and is currently renewable annually.

5.3 No additional borrowing was required in 2016/17.

6. Reserves available to fund Capital Expenditure

6.1 Available capital funds:

<table>
<thead>
<tr>
<th></th>
<th>Earmarked Revenue Contribution to Capital Outlay Reserve (RCCO) £m</th>
<th>Earmarked Capital Receipts Reserve (CRR) £m</th>
<th>Total Earmarked Capital Reserves £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 1 April 2016 brought forward</td>
<td>0.400</td>
<td>0.115</td>
<td>0.515</td>
</tr>
<tr>
<td>Contribution to Strategy Reserve</td>
<td>(0.300)</td>
<td>-</td>
<td>(0.300)</td>
</tr>
<tr>
<td>Part Fund - PFI Capital Repayment</td>
<td>-</td>
<td>(0.063)</td>
<td>(0.063)</td>
</tr>
<tr>
<td>Purchase of Flare</td>
<td>-</td>
<td>(0.052)</td>
<td>(0.052)</td>
</tr>
<tr>
<td><strong>Balance at 31 March 2017</strong></td>
<td><strong>0.100</strong></td>
<td>-</td>
<td><strong>0.100</strong></td>
</tr>
</tbody>
</table>
6.2 During 2015/16 the Authority disposed of the Hall Farm, North Ockendon, landfill site and received a capital receipt for £0.115m. This was placed within the Capital Receipts Reserve.

6.3 Movements during 2016/17 are included in table 6.1 above.

7. **Capital Expenditure 2016/17**

7.1 The Authority used capital receipt funding to purchase a flare for the Aveley landfill site in relation to gas management.

7.2 The balance of the receipt contributed to the funding of the PFI capital liability for 2016/17. The liability for 2016/17 was calculated to be £5.290m and formed part of the unitary payment made to the operator. Therefore the use of the receipt freed up the equivalent amount within the revenue reserve.

8. **Prudential Indicators**

8.1 The Authority is required by regulation to give due regard to the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities, and set Prudential Indicators for Treasury Management prior to the start of the financial year. Prudential Indicators cover borrowing, lending and capital expenditure levels and these are monitored on a monthly basis by the Finance Director.

8.2 In the Finance Director’s report of February 2016, Prudential Indicators for 2016/17 were agreed.

8.3 Members are reminded that in the accounting treatment of the ELWA PFI scheme there is a need for PFI assets and liabilities to be shown on the balance sheet and included in the Prudential Indicators. Other long term liabilities on Appendix A shows that the PFI finance lease balance of £72.987m is within its external debt limit.

8.4 Appendix A shows the performance against the indicators.

8.5 All transactions have been carried out within the Prudential Indicator Limits.

9. **Markets in Financial Instruments Directive ("MiFID II")**

9.1 Members are advised that new EU legislation will come into force on 3rd January 2018 which may impact on the Authority’s investment strategy.

9.2 The Markets in Financial Instruments Directive ("MiFID II") is an EU directive which affects all organisations involved in the distribution and trading of financial instruments in the EU. The objective of the legislation is to increase investor protection, align regulation across the EU, increase competition across the financial markets and introduce reinforced supervisory powers.

9.3 Treasury Management officers are currently assessing how this directive will affect the Authority and members will be updated in a future report.
10. **Conclusion**

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

11. **Relevant Officer**

11.1 Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3588.

12. **Appendices attached**

12.1 Appendix A: Prudential Performance Indicators.

13. **Background Papers**


14. **Legal Considerations**

14.1 None.

15. **Financial Considerations**

15.1 As outlined in this report.

16. **Performance Management Considerations**

16.1 None.

17. **Risk Management Considerations**

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

18. **Equalities considerations:**

18.1 None.

19. **Follow-up Reports**

19.1 Half yearly monitoring in 2017/18.

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


21. **Glossary**

21.1 CIPFA – Chartered Institute of Public Finance and Accountancy

21.2 ELWA – East London Waste Authority

21.3 PFI – Private Finance Initiative
21.4 PWLB – Public Works Loans Board

22. **Approved by Management Board**


23. **Confidentiality**

23.1 Not applicable.
### TREASURY MANAGEMENT PRUDENTIAL INDICATORS - 2016/17 OUTTURN

<table>
<thead>
<tr>
<th>Authorised Limit for External Debt</th>
<th>2016/17 Limit £m</th>
<th>2016/17 Actual £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>14.000</td>
<td>1.250</td>
</tr>
<tr>
<td>Other Long Term Liabilities</td>
<td>84.000</td>
<td>72.987</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>98.000</strong></td>
<td><strong>74.237</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Operational Boundary for External Debt</th>
<th>2016/17 Limit £m</th>
<th>2016/17 Actual £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>12.000</td>
<td>1.250</td>
</tr>
<tr>
<td>Other Long Term Liabilities</td>
<td>84.000</td>
<td>72.987</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>96.000</strong></td>
<td><strong>74.237</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Upper Limits on Interest Rate Exposure (based on net principal outstanding)</th>
<th>2016/17 Limit £m</th>
<th>2016/17 Actual £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate - Borrowing</td>
<td>7.700</td>
<td>1.250</td>
</tr>
<tr>
<td>Variable Rate - Investments</td>
<td>(22.000)</td>
<td>(8.300)</td>
</tr>
</tbody>
</table>

**Projected borrowing at fixed rates maturing in each period as percentage of total projected borrowing at fixed rates**

<table>
<thead>
<tr>
<th>2016/17 Upper Limit %</th>
<th>2016/17 Lower Limit %</th>
<th>2016/17 Actual %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>35</td>
<td>-</td>
</tr>
<tr>
<td>12 months and within 2 years</td>
<td>45</td>
<td>-</td>
</tr>
<tr>
<td>2 years and within 5 years</td>
<td>60</td>
<td>-</td>
</tr>
<tr>
<td>5 years and within 10 years</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>10 and within 20 years</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>20 years and within 35 years</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>35 years to 50 years</td>
<td>100</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Upper Limit for Total Principal sums invested for more than 364 days</th>
<th>2016/17 Limit £m</th>
<th>2016/17 Actual £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1.000</td>
<td>-</td>
</tr>
</tbody>
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AUTHORITY REPORT: BUDGETARY CONTROL AND CONTRACT MONITORING TO 31 JULY 2017

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 2017 with the original revenue budget approved in February 2017. It is based on information supplied by Shanks Renewi (the Operator), ELWA technical officers and the four Constituent Councils.

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

3.3 This report also provides the Integrated Waste Management Services (IWMS) Contract performance for the period ended 31 July 2017 to support the financial information.

4. Background

Revenue Budget

4.1 Based on the profiled budget of £16.371m for net expenditure on services and the actual net expenditure on services of £16.230m the current forecast outturn position is a net underspend of £0.141m to date. (see Appendix A).

4.2 Overall the forecast outturn is currently projected to be £0.550m under budget at year end due to the forecast additional commercial waste income and projected savings on waste tonnages.

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 2017/18 budget and levy setting process assumed 469,000 tonnes. Although tonnages for the first 4 months are 5.4% below profile, at this stage the end of year projection assumes tonnages to be slightly below the budget projection. In the remainder of the year tonnages may be volatile, including the winter months which in the past have been unpredictable. There may also be other trends that affect the 2017/18 position and officers will need to determine the impact of possible increases in tonnages per household as well as demographic trends. Taking all this into account at this stage an underspend of £0.300m is forecast at year end in respect of the contractor payment.

4.4 Given the uncertainty relating to the contract insurance renewal both in respect of future premiums and the possible additional requirements the Authority has to meet on renewal, it is assumed that contractor insurance payments will be in line with budget at year end.

4.5 The current diversion agreement 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.

4.6 Employee and non-contractor costs are broadly in line with budget to the end of June 2017. Both these areas are forecast to be in line with budget at year end.

4.7 The forecast outturn for commercial waste income remains unchanged at £0.250m of additional income at year end.
4.8 All other areas of activity are forecast to be in line with budget at year end.
4.9 There are no calls on the contingency at this point in the year.

5. Contract Monitoring

5.1 The July tonnage was 39,328t which was 465t less than last July last year and 3,532t under the anticipated budget. The month by month budget for this year can be seen at Appendix B.

5.2 Following low tonnages in April to July, for the first four months tonnage is approximately 9,000t under budget. With two thirds of the year remaining it would not be prudent to assume this will be the position at the end of the year with tonnages being so unpredictable, but the next few months will provide a better understanding.

5.3 Recycling in June was at 26%, holding steady through the first quarter. This is slightly lower than the previous year due to a fall in green waste – other streams have remained static or increased.

5.4 Diversion for July was close to budget at 90.53%. This has remained steady for the first four months of the year, averaging out at approximately 90%.

5.5 All facilities continue to operate to specification.

5.6 More detailed information on contract performance can be seen at Appendix C.

Prudential indicators

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

6. Conclusion

6.1 The position will continue to be closely monitored on a monthly basis throughout the financial year. Although a small under-spend is forecast at year end the possible volatility of tonnages and income collection could affect the current projection.

7. Relevant officer:

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

8. Appendices attached:

8.1 Appendix A: Budget Monitoring Statement to 31 July 2017
8.2 Appendix B: Tonnage Profile 2017/18
8.3 Appendix C: Contract Monitoring Performance Update - July 2017

9. Background papers:

9.1 06 February 2017 - Revenue & Capital Estimates and Levy 2017/18 Report & Minute No.49/2017

10. Legal considerations:

10.1 This report is brought to Members in accordance with the Authority’s requirements in relation to 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.

11. **Financial considerations:**
11.1 As outlined in the main body of the report.

12. **Performance management considerations:**
12.1 The financial position and projections should reflect service performance trends.

13. **Risk management considerations:**
13.1 The projected position depends on the performance of the contractor, tonnage levels and the success in achieving efficiency savings. The amount of reserves is set at a level to take account of the risks.

14. **Equalities considerations:**
14.1 None.

15. **Follow-up reports:**
15.1 Budgetary Control & Contract Monitoring Report, next meeting.

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

17. **Glossary:**
17.1 ELWA/the Authority = East London Waste Authority
17.2 Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham & Redbridge
17.3 IWMS = Integrated Waste Management Services Contract
17.4 RRC = Reuse and Recycling Centre
17.5 The Operator = Shanks east.London

18. **Approved by Management Board**
18.1 24 August 2017

19. **Confidentiality:**
19.1 Not Applicable.
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# Budget Monitoring Statement to 31 July 2017

<table>
<thead>
<tr>
<th>EXPENDITURE</th>
<th>Original Budget 2017/18</th>
<th>Profiled Budget to 31/07/17</th>
<th>Total Actual to 31/07/17</th>
<th>Variance to 31/07/17</th>
<th>Projected Outturn to 31/07/17</th>
<th>Outturn Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>Employee and Support Services</td>
<td>0.376</td>
<td>0.125</td>
<td>0.120</td>
<td>(0.005)</td>
<td>0.376</td>
<td>-</td>
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<tr>
<td>Premises Related Expenditure</td>
<td>0.158</td>
<td>0.060</td>
<td>0.048</td>
<td>(0.012)</td>
<td>0.158</td>
<td>-</td>
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<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>62.154</td>
<td>16.092</td>
<td>15.957</td>
<td>(0.135)</td>
<td>61.854</td>
<td>(0.300)</td>
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<tr>
<td>Supplies-other</td>
<td>0.100</td>
<td>0.020</td>
<td>0.015</td>
<td>(0.005)</td>
<td>0.100</td>
<td>-</td>
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<tr>
<td><strong>Payments to Constituent Councils</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Capital Financing Costs</td>
<td>0.179</td>
<td>0.041</td>
<td>0.041</td>
<td>-</td>
<td>0.179</td>
<td>-</td>
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<tr>
<td>TOTAL GROSS EXPENDITURE</td>
<td>65.999</td>
<td>17.107</td>
<td>16.953</td>
<td>(0.154)</td>
<td>65.699</td>
<td>(0.300)</td>
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<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>(2.509)</td>
<td>(0.627)</td>
<td>(0.610)</td>
<td>0.017</td>
<td>(2.759)</td>
<td>(0.250)</td>
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<tr>
<td>Interest receivable</td>
<td>(0.026)</td>
<td>(0.009)</td>
<td>(0.009)</td>
<td>-</td>
<td>(0.026)</td>
<td>-</td>
</tr>
<tr>
<td>Other income</td>
<td>(0.403)</td>
<td>(0.100)</td>
<td>(0.104)</td>
<td>(0.004)</td>
<td>(0.403)</td>
<td>-</td>
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<tr>
<td>TOTAL INCOME</td>
<td>(2.938)</td>
<td>(0.736)</td>
<td>(0.723)</td>
<td>(0.013)</td>
<td>(3.188)</td>
<td>(0.250)</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>63.561</td>
<td>16.371</td>
<td>16.230</td>
<td>(0.141)</td>
<td>63.011</td>
<td>(0.550)</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>previous year overspend funded</td>
<td>0.622</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.622</td>
<td>-</td>
</tr>
<tr>
<td>Levy Receivable</td>
<td>(61.542)</td>
<td>(20.514)</td>
<td>(20.514)</td>
<td>-</td>
<td>(61.542)</td>
<td>-</td>
</tr>
<tr>
<td>Net Contribution from reserves</td>
<td>1.350</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.350</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET</strong></td>
<td>-</td>
<td>(5.141)</td>
<td>(5.282)</td>
<td>(0.141)</td>
<td>(5.550)</td>
<td>(0.550)</td>
</tr>
</tbody>
</table>
## ELWA Tonnage Profile 2017/18

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Actual</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>40,348</td>
<td>36,733</td>
<td>(3,615)</td>
</tr>
<tr>
<td>May</td>
<td>40,698</td>
<td>39,355</td>
<td>(1,343)</td>
</tr>
<tr>
<td>June</td>
<td>43,226</td>
<td>42,601</td>
<td>(625)</td>
</tr>
<tr>
<td>July</td>
<td>42,860</td>
<td>39,328</td>
<td>(3,532)</td>
</tr>
<tr>
<td>August</td>
<td>38,854</td>
<td></td>
<td></td>
</tr>
<tr>
<td>September</td>
<td>40,858</td>
<td></td>
<td></td>
</tr>
<tr>
<td>October</td>
<td>38,828</td>
<td></td>
<td></td>
</tr>
<tr>
<td>November</td>
<td>36,455</td>
<td></td>
<td></td>
</tr>
<tr>
<td>December</td>
<td>36,125</td>
<td></td>
<td></td>
</tr>
<tr>
<td>January</td>
<td>38,140</td>
<td></td>
<td></td>
</tr>
<tr>
<td>February</td>
<td>33,369</td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>39,239</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>469,000</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
1. **Contract Tonnage**

1.1 The July tonnage was 39,328, 465t less than July 2016 and 3,532t under the anticipated budget.

1.2 In the opening four months of 2017 tonnages have fallen below the anticipated budget. While May 2017 saw marginally higher tonnage than May 2016, April, June and July were significantly lower than the previous year.

1.3 Public inputs at the RRCs continue to show an increase on 16/17, partly due to LB Barking & Dagenham (B&D) and LB Redbridge discontinuing free garden waste collections. Green waste overall, however, has unexpectedly fallen year on year to June. Further initiatives, such as the introduction of a ‘no side waste’ policy in B&D may also be incentivising residents to use the Reuse & Recycling Centres (RRCs) more.

1.4 Although it is still relatively early to be drawing conclusions regarding the year end position, we continue to progress into the year with low tonnages and without a significant correction over the next two months the half year position will be comfortably under budget.

![Contract Tonnage Chart]

2. **Contract Performance**

2.1 Recycling in July showed a slight improvement from May of about 1%, generally holding steady for the first quarter.
2.2 Recycling was lower than July of last year due to the drop in green waste. The comingled recycling (‘Obags’) continues to benefit from being sent to a 3rd party MRF, while the improved recycling performance at the BioMRFs (MBT) has been maintained. Green waste was the only stream to have fallen against last year, having contributed an additional 4% to the recycling total in July 2016.
2.3 Recycling per Constituent Council has remained steady through Q1.

<table>
<thead>
<tr>
<th>Constituent Council Recycling (NI192)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>July</td>
</tr>
<tr>
<td>YTD</td>
</tr>
</tbody>
</table>

2.4 Diversion performance for June held steady at 90.53%.

3. Financial Implications

3.1 The actual tonnage for July 2017 was 3,532 tonnes below the profile for the month. For the year to date tonnage was approximately 9,000 tonnes below profile, and the under-spend to date on contractor payments is £0.135m. However given the volatility of monthly tonnages in the last 12 months and also the uncertainty on tonnages over the winter months, it is still prudent at this stage to assume contractor payments being in line with budget at year end.

3.2 For the Authority 2017/18 budget as a whole, taking account of the projected over-recovery of commercial waste income and underspend on contractor payments a small net underspend of £0.550m is projected at year end.

4. Contract Monitoring

4.1 All the RRC sites and the main waste facilities continue to operate to specification.

4.2 Shanks Renewi has applied to the Environment Agency for a permit variation allowing them to use a parcel of land adjacent to Frog Island for the parking/loading of haulage vehicles in order to keep them out of the way of Constituent Council tipping operations while increasing RDF production, thereby allowing further improvements to Diversion performance.
4.3 Remedial flooring works were carried out at the Frog Island site. The Constituent Councils’
co-operation during this disruption was appreciated.

4.4 Vehicle delays at the Jenkins Lane site remain higher than we would like. Penalties continue
to be applied accordingly.

5. Communications

5.1 £0.015m has been secured through a joint bid to Resource London between ELWA and the
Constituent Councils to fund activities during Recycle Week 2017 (25/9 – 1/10). The activity
will centre on three roadshows promoting recycling in each Council.

If you wish to see any specific information included, or shown differently to that already
in this bulletin, please let me know. I will do my utmost to accommodate your requests.

Dave Hawes
July 2017
NOT FOR PUBLICATION
By virtue of paragraph(s) 1, 2, 3 and 4 of

THE FOLLOWING DOCUMENTS ARE RESTRICTED

Agenda Items 10 and 11