

NOTICE OF MEETING

Monday, 17 September 2018

Workplace, Westfield Stratford City, 5th Floor, 2 Stratford Place, Olympic Park, E20 1EJ.
10.00 am

Members

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

Issued by:

Andrew Lappage
Managing Director

06 September 2018

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AGENDA

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| For Information: | 1. | Apologies for absence. |
| For Information: | 2. | Declaration of Members Interest.

In accordance with the Constitution, Members are asked to declare any personal or prejudicial interest they may have in any matter which is to be considered at this meeting. |
| For Decision: | 3. | Minutes – To agree the minutes of the Authority’s Annual General Meeting held 29 June 2018 and authorise the Chair to sign the same. (pages 1 - 6) |
| For Information: | 4. | Annual Audit Letter 2017/18. (pages 7 - 14)

External Auditors from KPMG may be in attendance for this item. |
| For Information: | 5. | Treasury Management Outturn 2017/18 (pages 15 - 20) |
| For Information: | 6. | Budget Control and Contract Monitoring to 31 July 2018 (pages 21 - 30) |
| For Information: | 7. | Preparations for Future Wastes Management Arrangements - Update (pages 31 - 34) |
| For Information: | 8. | Date of next meeting: Monday 19 November 2018

Members are asked to note the date of the next Authority meeting and that it will be held at the Town Hall, Ilford. |
| For Information: | 9. | Any other public items which the Chair decides are urgent. |

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| For Decision | 10. To consider whether it would be appropriate to pass a resolution pursuant to Section 100A (4) of the Local Government Act 1972. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted. |
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Confidential Business

The public and press have a legal right to attend ELWA meetings except where business is confidential or certain other sensitive information is to be discussed. The items below relate to the business affairs of third parties and are, therefore, exempt under Part I of Schedule 12A of the Local Government Act 1972 (as amended).

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| For Information | 11. ELWA Limited Update (pages 35 – 37)

This report has been restricted to Members and specific officers only. |
| For Information | Any other confidential or exempt items which the Chair decides are urgent. |

**ANNUAL GENERAL MEETING MINUTES:
29 JUNE 2018 (9.32 AM–10.15 AM)**

Present:

Councillor D Akwaboah, Councillor J Asser, Councillor S Bain, Councillor R Benham, Councillor O Dervish, Cllr J Howard and Councillor R Tripp.

Introductions were received.

1. Appointment of Chair, Vice Chair and ELWA Limited 'A' Director and alternate 'A' Director for the year 2018/19

Councillor Sheila Bain (Vice Chair 2017/18) opened the meeting by requesting nominations, from the membership as set out in the Monitoring Officer's report, for the posts of Chair, Vice Chair & ELWA Limited A-Director for the municipal year 2018/19.

Members nominated and agreed the following appointments for the year 2018/19:

Chair:	Councillor Osman Dervish	London Borough of Havering
Vice Chair:	Councillor James Asser	London Borough of Newham
Elwa Limited A-Director:	Councillor Dorothy Akwaboah	London Borough of Barking & Dagenham

Councillor Dervish then took office and continued the meeting.

2. Apologies for Absence

An apology for absence was received on behalf of Councillor Syed Ghani (London Borough of Barking & Dagenham).

3. Declaration of Members' Interests

There were none declared.

4. Minutes of previous meeting (05 February 2018)

With confirmation from the remaining 2017/18 Members, **Members were able to confirm as true and accurate** the minutes of the meeting on 05 February. The Chair was authorised to sign the same.

5. Minutes of previous meeting (08 March 2018 EGM)

Members were also able to confirm as true and accurate the minutes of the Extraordinary General meeting on 08 March 2018. The Chair was authorised to sign the same.

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

Members received the 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 2018/19.

Members nominated and agreed that the following Members, who are also their respective Constituent Councils' Cabinet Member for environment/waste matters, namely:

London Borough of Barking & Dagenham:	Councillor Syed Ghani
London Borough of Havering:	Councillor Osman Dervish
London Borough of Newham:	Councillor Rachel Tripp
London Borough of Redbridge:	Councillor John Howard

7. Final Financial Outturn Position and Contract Monitoring for the year 2017/18

Members received the joint report from the Managing Director and Finance Director, together with Budget Monitoring Statement to 31 March 2018 (Appendix A - submitted under Supplementary 1 documents). This report compared actual expenditure with the revenue budget agreed in February 2017. The report provided information on Revenue Budget, Reserves, Prudential Indicators, Contract monitoring tonnages, performance, sites monitoring and communications.

The Finance Director provided in-depth commentary stating that the Authority's financial position was lower than anticipated at the start of the year when a £2.5m underspend had been expected.

An underspend of £4.385m had been achieved as a result of lower tonnages received (444,004t - 5.3% under budget) and insurance premium (underspend £0.679m), additional income (£1.370m) and the underspent contingency budget. The underspend would be transferred to Reserves along with the budgeted contribution of £1.350m.

The Finance Director explained that there had been no call on the Contingency budget.

The Reserves position was set out in paragraph 5 and contained detail of the Strategy Reserve (post 2027 waste disposal arrangements), Revenue Reserve (£3m - unplanned/unavoidable costs), Business Risk Reserve (risk register coverage - £1m) and Capital Reserves (£0.100m - Aveley risks).

An explanation was provided about the insurance premium position.

Members extended thanks to Officers for keeping the Authority in a good financial position.

Discussion took place about the ball park figure required for the Strategy Reserve and the plans to build this up and spend it. The Finance Director agreed that this would be reviewed on an annual basis as part of the budget, levy and outturn position.

Members noted the report.

8. Annual Governance Statement 2017/18:

Members received the Finance Director's report, Appendix and commentary on the Annual Governance Statement which accompanied the Statement of Accounts for the year 2017/18. The Auditors would report on the Accounts later during the meeting.

The Finance Director confirmed that the Annual Governance Statement had been signed off by 31 May in accordance with regulations and there were no matters of concern.

The Annual Governance Statement showed that the two issues identified in the 2017/18 action plan had been addressed. Issues identified as requiring improvement during 2018/19 were (a) Contract monitoring performance with the Constituent Councils and the Contractor and (b) Business Continuity - testing, risk registers & Constitution review.

Members approved the Annual Governance Statement and noted that the report formed part of the approval of the Statement of Accounts for 2017/18.

9. Statement of Accounts and Auditor's report 2017/18

Members received the Finance Director's report on the Statement of Accounts for 2017/18, together with the Statement of Accounts, the Auditor's ISA 260 report and the draft Letter of Representation (submitted under Supplementary 1 documents). Members were advised by the Finance Director that they were being asked to approve the audited Statement of Accounts and Governance Statement. Draft copies of both had been signed off by 31 May ahead of the 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.

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 ISA 260 report stated that the audit had focused on three key areas: (a) Valuation of land & buildings in terms of value and PFI; (b) Pension assets & liabilities and (c) Fraud. He confirmed that there were no matters to report. No significant risks were identified in respect of value for money. There were no audit differences identified. One presentational difference had been identified and the note adjusted.

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

Members noted the Auditor's ISA 260 report and **approved** the draft letter of representation and the audited Statement of Accounts for the financial year 2017/18. The letter of representation will be signed by the Finance Director.

10. Internal Audit Progress Report 2017/18, Audit Plan 2018/19 and Planned Audit Coverage to March 2023

Members received the Internal Audit Progress report 2017/18, Audit Plan 2018/19 and Planned Audit Coverage to March 2023, together with the Finance Director's commentary.

Members were informed that based on the audit work undertaken during 2017/18, 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. There were no fundamental breakdowns in control that would result in material discrepancy. This view was reinforced by the Authority's External Auditors.

Members were advised that the Internal Audit coverage for 2018/19 would concentrate on contract management monitoring controls to keep non-contract waste to a minimum and the Automatic Number Plate Recognition system, as well as the Authority's risk assessments and business continuity planning.

No fraud or irregularity had been reported during the year.

It was reported that the Authority had a sound and robust system of Internal Audit, which continued to adapt and respond to the changing needs of the Authority.

The rolling five-year plan (Appendix A) was proposed for future audit coverage with the areas for review set at a higher strategic level.

Members were advised that the outcomes of the audit fed into the Annual Governance Statement.

Members noted and agreed the audit coverage for 2017/18, 2018/19 and the planned audit coverage to March 2023.

The Chair extended his thanks to the External Auditor for his attendance and contribution to the meeting before the Auditor excused himself from the rest of the meeting.

11. Constitution Update

Members received the Monitoring Officer's report requesting they note that the Managing Director, under delegated authority contained in the Constitution, had approved minor and administrative changes to the Constitution. The review had taken place in conjunction with the Monitoring Officer. The revised document was now available on the Authority's website.

In addition, a comprehensive review of the Constitution was underway to ensure that the corporate governance arrangements of the Authority were fit for purpose and in line with the future arrangements for its waste strategy beyond 2027, when the current Integrated Waste Management Contract expired. Members' attention was drawn in particular to paragraph 5.4 of the report which highlighted certain areas upon which focus would lie. These were Scheme of Delegation, and the following rules: Contract, Financial, Land Acquisitions & Disposal, Employment, Hospitality and Codes of Conduct for Members & Employees. The review would cover Whistleblowing and other administrative matters as well as the removal of the current restriction on tenure for the Chair and Vice Chair of the Authority.

Members were informed that the revised Constitution would be presented to them for approval in line with the Constitution by the end of the calendar year. It was hoped to bring this item to Members at the November meeting.

Members noted the report.

12. Appointment of External Auditors 2018/19

Members received the Finance Director's report advising them of the appointment of new External Auditors, Ernst & Young LLP for the year 2018/19 at an indicative fee of £14,068.

The Managing Director and Finance Director reported that they had met with Ernst & Young representatives and the External Auditor's plan was expected to be issued in January in readiness for the February 2019 Authority meeting.

Members noted the report.

13. Preparations for Future Wastes Management Arrangements

Members received the Managing Director's report and commentary on work streams that required consideration and progress given the expiry date of 2027 of the current Integrated Waste Management Services contract. The workstreams included development of (a) a new East London Joint Waste Strategy (ELJWS) by the Authority and the four Constituent Councils; (b) the development of a new Joint Waste Development Plan (JWDP) for East London by the four Constituent Councils in their separate capacity as local planning authorities; and (c) development of officer arrangements for the management of current services and delivery of (a) and (b)

The Managing Director explained that the Constituent Councils and the Authority would need to work very closely together to secure a programme of future services.

Paragraph 5.2 set out the key steps of the ELJWS and the Managing Director provided examples of the work to be carried out, i.e. waste flow modelling on how much waste will be collected until 2050s, composition analyses, coupled with forecasts of likely changes to waste composition arising from both policy and technical developments, as well as how much of the waste could be recycled in practice.

The current JWDP runs until December 2021. Members were advised that a new JWDP for East London was likely to be the best way from the Authority's perspective to identify the best locations for any new waste treatment facilities that might be needed.

The report advised on the current officer structure which was at minimum level and the need to establish a senior strategic management post.

Members noted the report.

14. Consultation on Governance of Environmental Law Post-Brexit

Members received the Managing Director's report and Appendix relating to the Department for Environment Food & Rural Affairs' (DEFRA) consultation "Environmental Principles and Governance after the United Kingdom leaves the European Union, May 2018". The Managing Director recommended to Members that they delegate authority to him, in consultation with the Chair and the Monitoring Officer, to submit a response by 1st August on behalf of the Authority. Fourteen key questions were being asked and these were as set out in Appendix A.

He advised that DEFRA had indicated that it intended to publish an Environmental Principles & Governance Bill designed to create a new, world-leading, independent environmental watchdog to hold government to account on environmental ambitions and obligations once the UK had left the EU. This role had been performed by the EU Commission and Courts of Justice previously would be filled now by a UK body embedded in the UK's parliamentary democracy.

Members considered the key themes set out by the Managing Director in paragraph 4.2 (a to g) discussing, in particular, the independence of such a body; the need for clear definition of 'environmental law'; the clarity of the relative weight of compliance with environmental laws and government achieving other social objectives to help long term planning & investment required; the need for the new body to have oversight of all of policy instruments to be used by the Government to transition to a circular economy (including imported goods), that the new body should hold only the Government to account (and that the Government should be responsible for the actions it requires or encourages from others), and that there should be no trade barriers between the devolved areas of the UK.

Members agreed that the Managing Director should draft a response and circulate it to all Members for consideration prior to him submitting a formal response.

15. Date of Next Meeting:

Members noted the date of 17 September 2018 as the date of the next Authority meeting. A request was made to Officers that future meetings should be held at offices with good public transport links with London. An offer was made to hold the next meeting at the offices of London Borough of Redbridge. It was suggested that the meeting venues might rotate between the Constituent Councils.

16. Any other public items

There were none.

17. 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).

18. Aveley Methane Limited

Members received and noted a report on new arrangements at the Aveley landfill site.

19. ELWA Limited 02/05/18

Members noted the contents of the confidential Agenda pack and received a short commentary from the Managing Director.

Minutes agreed as a true record.

Chair:

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Date:

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AUTHORITY REPORT: ANNUAL AUDIT LETTER 2017/18

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 2017/18 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 June 2018 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:

7.1 29/06/2018 Statement of Accounts and Auditor's Report and draft Minute xx/2018.

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

16. Glossary:

ELWA = East London Waste Authority.

ISA 260 = International Standards on Auditing.

17. Reviewed by Management Board

17.1 03 September 2018.

18. Confidentiality:

18.1 Not applicable.



Annual Audit Letter 2017/18

East London Waste Authority

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August 2018

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Report sections

— Headlines

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Appendices

1. Summary of reports issues

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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.

This Annual Audit Letter summarises the outcome from our audit work at East London Waste Authority in relation to the 2017/18 audit year, which is the final year that KPMG is the auditor of the Authority.

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

Audit opinion

We issued an unqualified opinion on the Authority's financial statements on 6 July 2018. 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

Our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole. Materiality for the Authority's accounts was set at £1.2M which equates to around 2% of gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision. We report to the Authority any misstatements of lesser amounts, other than those that are "clearly trivial", to the extent that these are identified by our audit work. In the context of the Authority, an individual difference is considered to be clearly trivial if it is less than £60K for the Authority.

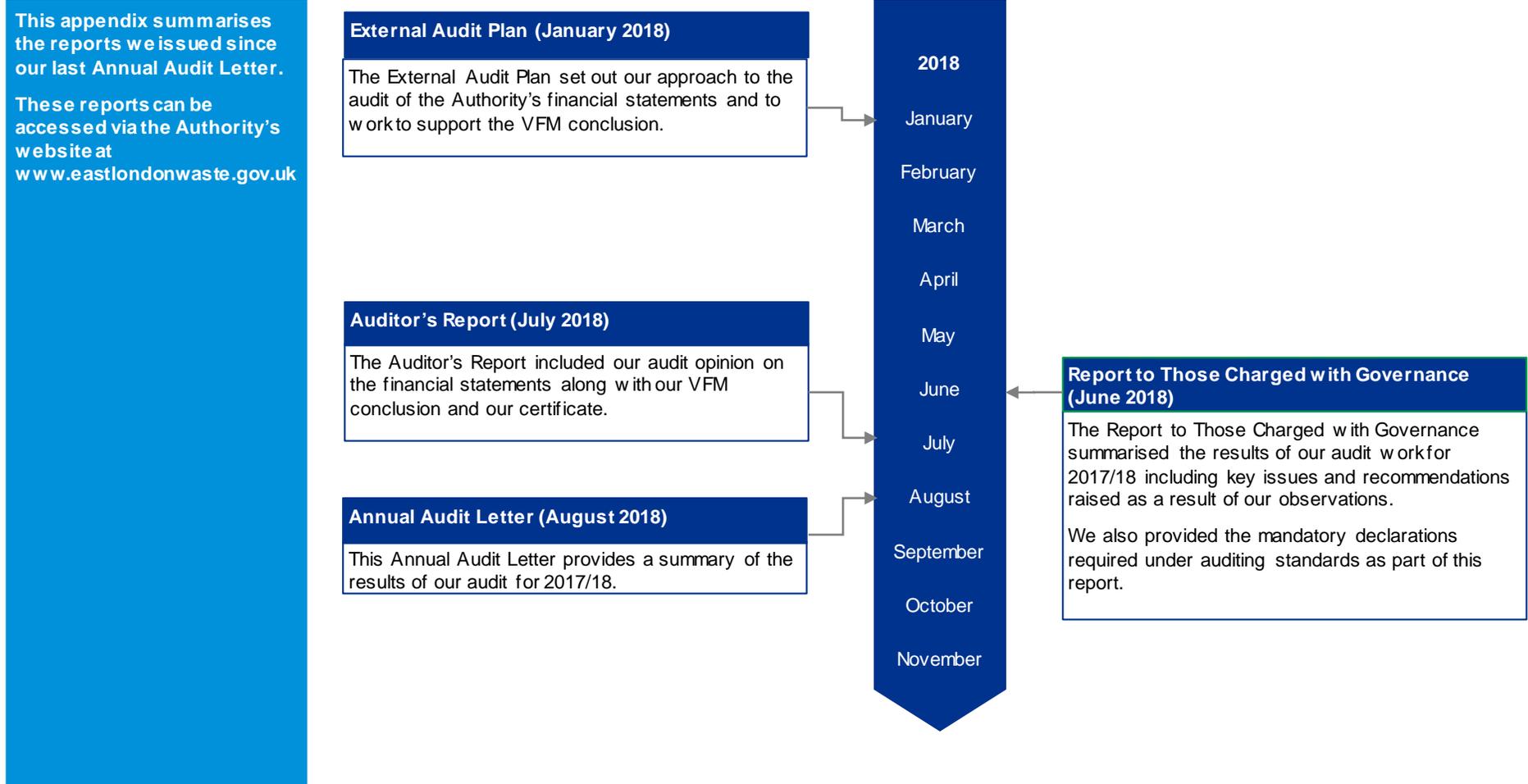
We identified no audit adjustments that result in a change in general fund or net asset position.

Our audit work was designed to specifically address the following significant risks:

- Management Override of Controls – Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our procedures, including testing of journal entries, accounting estimates and significant transaction outside the normal course of business, did not identify any instances of management override of controls;
- Valuation of PPE – The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority revalues land and building on a five yearly cycle. As a result individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs from the year end fair value. We reviewed the approach adopted by the Authority to assess the risk that assets were materially misstated. We assessed the indicators considered by the Authority's valuers to determine whether the fair value of the assets not revalued in year had materially moved. As a result of our work we determined that the carrying values of the assets do not materially differ from the year end fair value.

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. 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 this 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.
Value for Money conclusion	We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2017-18 on 6 July 2018. 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.
High priority recommendations	We raised no high priority recommendations as a result of our 2017-18 work.
Certificate	We issued our certificate on 6 July 2018. The certificate confirms that we have concluded the audit for 2017-18 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.
Audit fee	Our fee for 2017-18 was £18,270, excluding VAT (2016/17: £18,270).
Exercising of audit powers	We have a duty to consider whether to issue a report in the public interest about something we believe the Authority should consider, or if the public should know about. We have not identified any matters that would require us to issue a public interest report.

Appendix 1: Summary of reports issued





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AUTHORITY REPORT: TREASURY MANAGEMENT OUTTURN 2017/18

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 2017/18 Strategy was agreed in February 2017 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 The Prudential Code and Treasury Code have been subject to consultation and revision. This report complies with the requirements of the Codes in force as at December 2017. Any amendments to the Codes will be addressed as part of the mid-year treasury management strategy review.

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

3.6 This report is presenting to Members the Treasury Outturn for 2017/18 and covers all borrowing and investment activities undertaken during the last financial year.

4. Outturn Portfolio Position

The Economy and Interest Rates

4.1 During the calendar year of 2017 there was a major shift in expectations in financial markets in terms of how soon the Bank Rate would start on a rising trend. After the UK economy had shown strong growth in the second half of 2016, growth in the first half of 2017 was disappointingly weak; the slowest for the first half of any year since 2012. The main reason for this was the increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. However, growth did pick up modestly in the second half of 2017 and as a consequence, market expectations of an increase in the Bank Rate rose significantly.

- 4.2 The Monetary Policy Committee (MPC) at their November meeting duly delivered by raising the Bank Rate from 0.25% to 0.50%. This was the first increase in the Bank Rate since July 2007. The February MPC meeting minutes then revealed warnings of a more imminent and faster pace of increases in the Bank Rate than had previously been expected. Market expectations therefore shifted considerably resulting in short dated investment rates increasing sharply during the first quarter of 2018.
- 4.3 Borrowing rates increased correspondingly to the above developments with shorter term rates increasing more sharply than longer term rates.
- 4.4 Investment rates had continued with a downward trajectory in the first half of 2017 due in part to the large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England. This facility came to an end on the 28 February 2018. As the expectation for a Bank Rate rise gained momentum, investment rates began to trend upwards. Following the Bank Rate rise from 0.25% to 0.50% in November and the expectation of the Bank Rate rising more quickly than previously anticipated, investment rates rose steadily for the remainder of the financial year.

Investments

- 4.5 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 2017.
- 4.6 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.
- 4.7 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.
- 4.8 The summary position for the Authority in terms of investments at 31 March 2018 is as follows: -

	31/03/17 £m	31/03/18 £m
Long Term	-	-
Short Term	8.313	14.762
Total	8.313	14.762

- 4.9 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.

External Borrowing

- 4.10 The total borrowing at 31 March 2018 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.

4.11 The external borrowing position is summarised below:

	31/03/17 £m	Average Rate	31/03/18 £m	Average Rate
Public Works Loans Board	1.250	10.02%	1.250	10.02%

4.12 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 2017 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 2017/18.

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 2017/18.

6. Reserves available to fund Capital Expenditure

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

7. Capital Expenditure 2016/17

7.1 There was no capital expenditure in 2017/18.

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 2017, Prudential Indicators for 2017/18 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 £67.766m 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. Conclusion

- 9.1 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.

10. Relevant Officer

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

11. Appendices attached

- 11.1 Appendix A: Prudential Performance Indicators.

12. Background Papers

- 12.1 06/02/17 Treasury Management Strategy 2017/18 and Prudential Code Indicators 2017/18 to 2019/20 & Minute 46/2017.
- 12.2 20/11/17 Treasury Management Mid-Year Strategy Review 2017/18 & Minute 45/2017.
- 12.3 29/06/18 Final Financial Outturn Position & Contract Monitoring Review for the year 2017/18 Report.

13. Legal Considerations.

- 13.1 None.

14. Financial Considerations

- 14.1 As outlined in this report.

15. Performance Management Considerations

- 15.1 None.

16. Risk Management Considerations

- 16.1 Main objective of the investment strategy is the security of investments.

17. Equalities considerations:

- 17.1 None.

18. Follow-up Reports

- 18.1 Half yearly monitoring in 2018/19.

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

- 19.1 <http://eastlondonwaste.gov.uk/>

20. Glossary

CIPFA – Chartered Institute of Public Finance and Accountancy

ELWA – East London Waste Authority

PFI – Private Finance Initiative

PWLB – Public Works Loans Board

21. Reviewed by Management Board

21.1 03 September 2018.

22. Confidentiality

22.1 Not applicable.

TREASURY MANAGEMENT PRUDENTIAL INDICATORS - 2017/18 OUTTURN

<i>Authorised Limit for External Debt</i>	Limit 2017/18 £m	Actual 2017/18 £m
Borrowing	14.300	1.250
Other Long Term Liabilities	78.000	67.766
TOTAL	92.300	69.016

<i>Operational Boundary for External Debt</i>	Limit 2017/18 £m	Actual 2017/18 £m
Borrowing	12.300	1.250
Other Long Term Liabilities	78.000	67.766
TOTAL	90.300	69.016

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

<i>Upper Limits on Interest Rate Exposure (based on net principal outstanding)</i>	Limit 2017/18 £m	Actual 2017/18 £m
Fixed Rate - Borrowing	7.700	1.250
Variable Rate - Investments	(22.000)	(14.762)

<i>Projected borrowing at fixed rates maturing in each period as percentage of total projected borrowing at fixed rates</i>			
	2017/18 Upper Limit %	2017/18 Lower Limit %	2017/18 Actual %
Under 12 months	37	-	2
12 months and within 2 years	45	-	-
2 years and within 5 years	60	-	35
5 years and within 10 years	80	-	-
10 and within 20 years	100	-	63
20 years and within 35 years	100	-	-
35 years to 50 years	100	-	-

<i>Upper Limit for Total Principal sums invested for more than 1 year</i>	Limit 2017/18 £m	Actual 2017/18 £m
Total	1.000	-

**AUTHORITY REPORT: BUDGETARY CONTROL AND CONTRACT MONITORING TO
31 JULY 2018**

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 To note the report and forecast outturn.

3. Purpose

3.1 This budgetary control report compares ELWA's actual expenditure for the period ended 31 July 2018 with the original revenue budget approved in February 2018. It is based on information supplied by Renewi UK Services Limited (the Operator), officers of the four Constituent Councils, and the Authority's own information.

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

3.3 This report also provides the Integrated Waste Management Services (IWMS) Contract performance to support the financial information for the year 2018/19 to date.

4. Background

Revenue Budget

4.1 Based on the profiled budget of £23.644m for net expenditure on services and the actual net expenditure on services of £22.827m the current position is a net underspend of £0.817m to date. (See Appendix A).

4.2 Overall the forecast outturn is currently projecting a favourable variance of £0.699m. This is the result of actual tonnages for the first three months being cumulatively lower than profiled and additional income received in 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 2018/19 budget and levy setting process has assumed 469,000 tonnes which is unchanged from 2017/18. Tonnages for the 4 months to July 2018 total 3.0% below profile. Tonnages in July were 2,969 tonnes under the profiled budget. The hot dry weather conditions have impacted the green waste tonnage levels so they have been lower than profiled. However, tonnages remain volatile therefore at this stage it is assumed that any future month tonnages will be in line with budget. There may be other trends that affect the 2018/19 position and officers will need to determine the impact of possible increases in tonnages per household as well as demographic trends. Taking all this into account the end of year financial forecast for the contractor payment is currently reporting the variance to date of £0.589m.

4.4 The 2018/19 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. Following a fire at the Authority's Mechanical Biological Treatment (MBT) facility on Frog Island in 2014, the contract insurance renewal premium includes conditions that may be required to be met that may result in financial implications in undertaking the work. The Authority is currently in negotiation with the Contractor. The next renewal premium is due in December 2018 of which 3 months will be charged to the 2018/19 budget. The budget is included within the

IWMS contract payments in Appendix A and until the outcome of any decisions is known; no outturn variance will be shown.

- 4.6 The budget for Employee costs is £0.470m for 2018/19. Interviews have been held for the post of Assistant Contract Manager and a start date is being agreed. The new Managing Director has been in post from 8 May 2018. A new Head of Strategy and Development is being recruited; depending on the successful applicant's notice period, (s)he could start in December. Discussions are ongoing on staffing and it is expected that this budget will be fully spent by the end of the year.
- 4.7 Commercial Waste includes additional income of £0.110m for 2018/19. Made up of £0.065m in relation to actual income for quarter 4 2017/18 being higher than estimated at year end and £0.045m higher income expected in relation to 2018/19 tonnages. A large part of this additional income relates to the London Borough of Barking & Dagenham housing service.
- 4.8 Members will recall the new royalty arrangements with the Operator which were provisionally agreed in September 2016. This guaranteed 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 (at £0.350m) and is reported within Other Income. This position will need to be closely monitored because increases/decreases in future monthly tonnages levels will alter the spare capacity available and thus the size of the royalty payment. Based on tonnages to date it is likely that the target will be met by year end.
- 4.9 The contingency budget for 2018/19 remains at £0.500m. There are no commitments against this budget as at July 2018.
- 4.10 All other areas of activity are forecast to be in line with budget at year end.
- 4.11 The position and forecast of the budget, levy and the reserves over the next few years has been reported to Members previously and as part of the 2018/19 levy setting process reserves were set at the appropriate level and the contingency was increased to cover these risks. Therefore, it is important that robust monitoring of the financial position throughout the year remains in place and in particular, the minimisation of tonnage levels. Given the single purpose nature of ELWA it is difficult for remedial action to be taken on areas of over spend or to recover insufficient income collection.

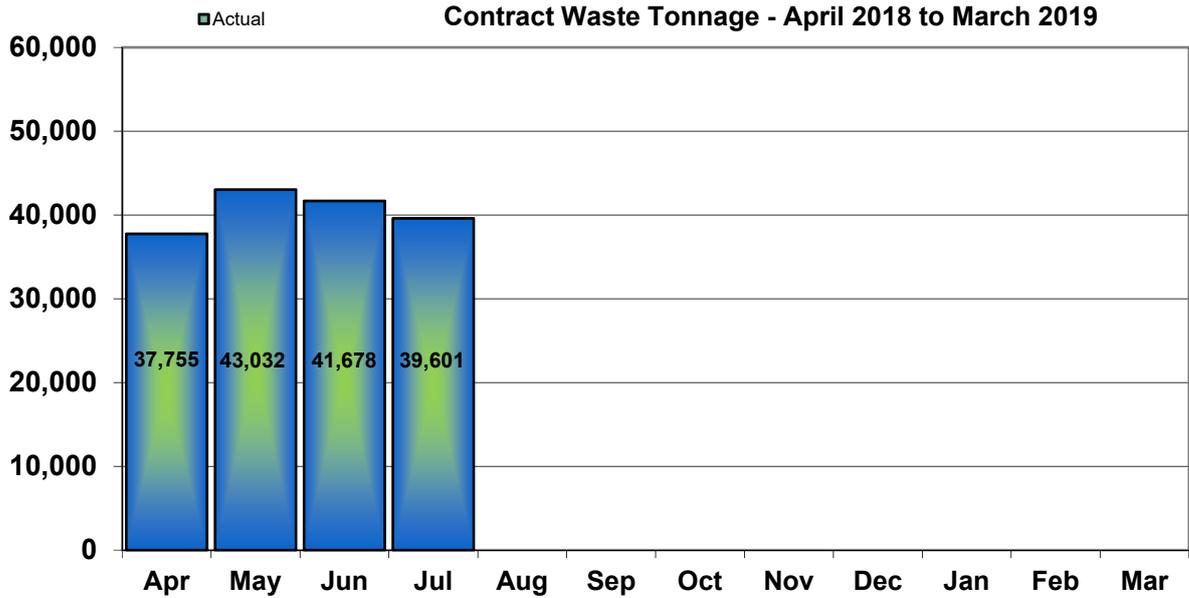
5. Prudential Indicators

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

6. Contract Monitoring

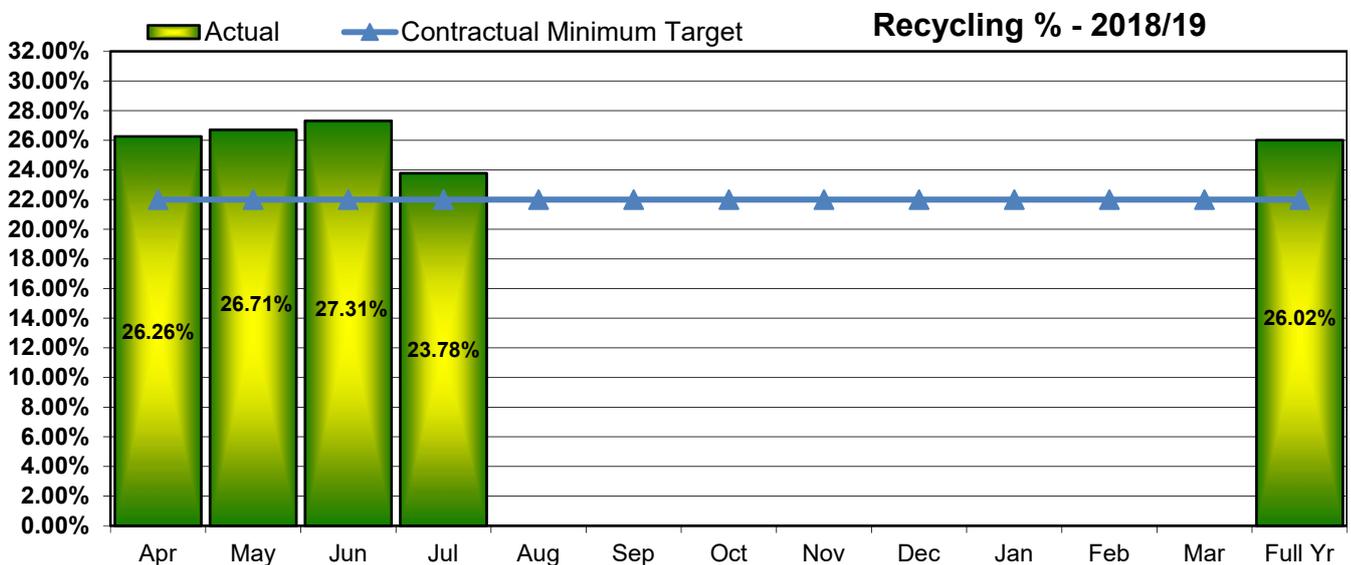
Contract Tonnage

- 6.1 The July tonnage was 39,601 tonnes, 192 tonnes less than July 2017 and 2,969 tonnes lower than the anticipated budget for the month.
- 6.2 To date for the year, we are 1,530 tonnes higher than 2017 but are now 5,098 tonnes under budget. Tonnage typically dips over the summer months as people being away on holiday reduces production of waste. As noted below, garden waste has also been a factor.

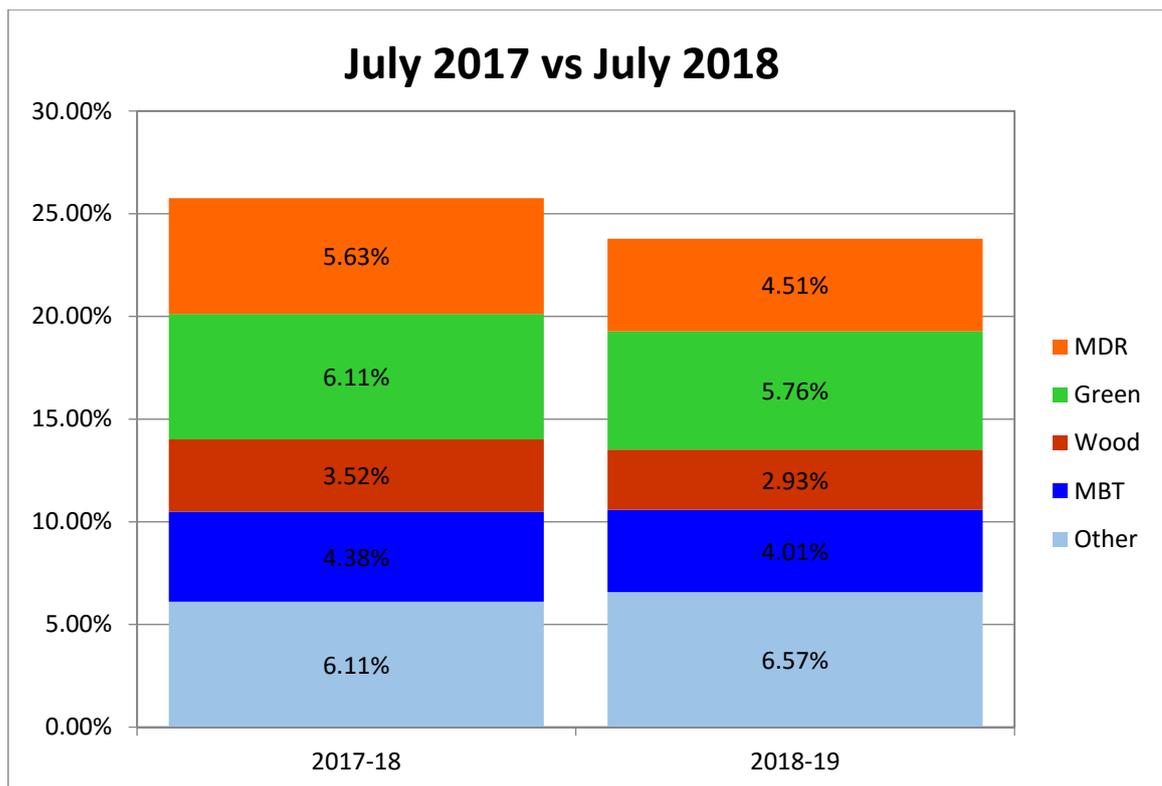


Contract Performance

6.3 July’s recycling performance fell significantly, with garden waste inputs way down from both Havering and Redbridge. This can be put down in large part to the lack of rain causing slower (or no) growth, and while this doesn’t help recycling it does go towards lower tonnages overall, which is a positive. As Havering and Redbridge are the two biggest producers of garden waste, a reduction has a meaningful impact on overall recycling. There was also a drop in dry mixed recycling delivered by the Constituent Councils.



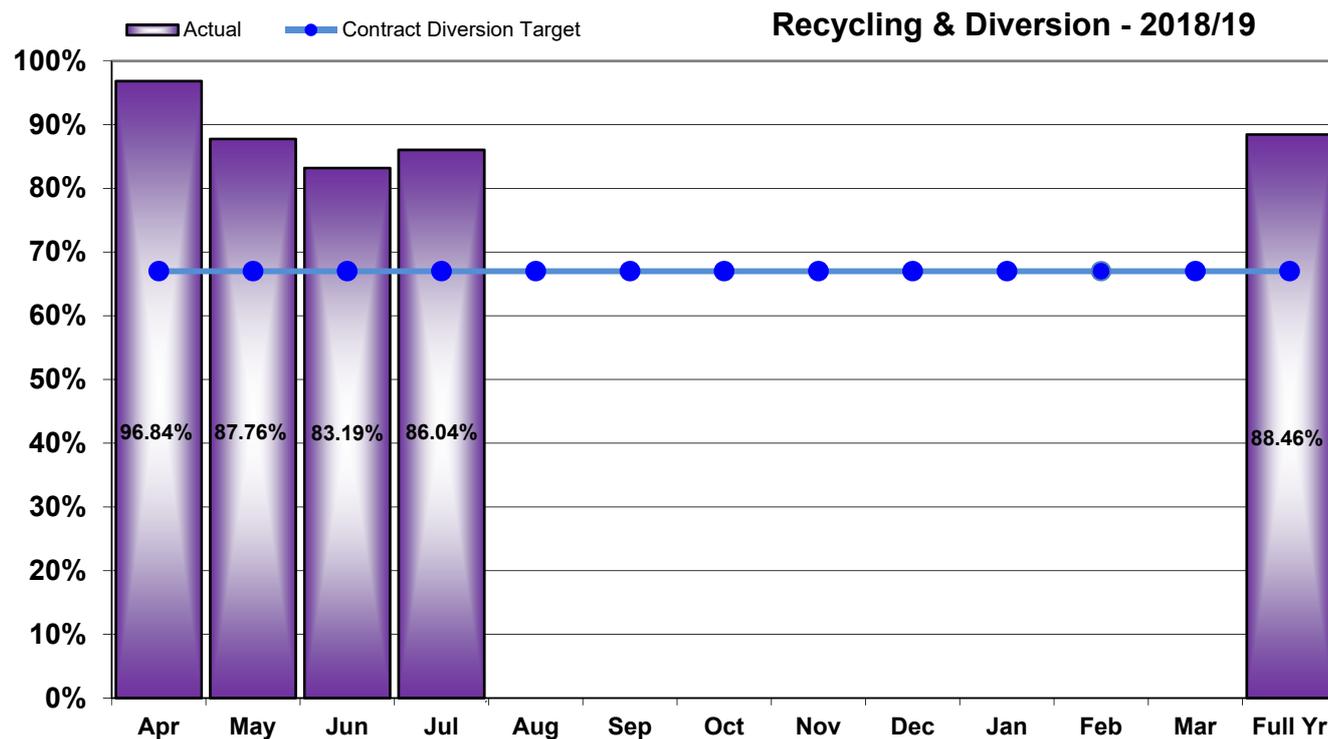
6.4 As the table below illustrates, whilst the total recycling tonnages are down, the proportions of overall recycling performance are largely in line with July 2017.



6.5 Each Constituent Council’s recycling performance:

Constituent Council Recycling				
	LBBD	LBH	LBN	LBR
July 2018	25.12%	41.31%	15.67%	25.06%
2018/19 to date	25.9%	42.4%	15.5%	28.1%
2017/18 (whole year)	26.1%	39.3%	15.5%	24.4%

6.6 Contract Diversion increased to 86.04%, well above the contractual target of 67% but remaining below expectations of 90% and above. The export market for Refuse Derived Fuel is still very restricted given that European Energy from Waste plants are experiencing low demand for both heat and power production. When temperatures start to drop, diversion performance should increase and again exceed 90%.



Contract Monitoring

- 6.7 All sites continue to operate to specification, although there was a fire next to the Gerpins Lane Reuse & Recycling Centre (RRC) which caused it to close early on 04/08/18, but it was able to open as normal the next day.
- 6.8 Work is due to be undertaken to repair a leachate leak in the flooring of the Jenkins Lane Biological Materials Recovery Facility (BioMRF) and should be completed before Christmas. This will reduce the BioMRF capacity temporarily, but plans are in place to ensure all contract waste is accepted as usual. As part of this project, modifications are planned to the BioMRF refinement section which should result in an increase in the plant’s capture of recycling from residual waste.
- 6.9 The Automatic Number Plate Recognition (ANPR) system installed at the RRCs has now come into full effect. ANPR allows staff to identify frequent users of the site and issue them with a letter that requests they contact their Constituent Council to explain their high use. Residents using the site regularly to dispose of household waste will not be prevented from doing so, but this should deter traders fraudulently tipping waste in cars as a means of circumventing the long-standing checks on vans. The operation of the system, as well as communications to residents, will remain under review.

Communications

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

7. Conclusion

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

8. Relevant officer:

- 8.1 Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 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 2018
9.2 Appendix B: ELWA Tonnage Profile 2018/19

10. Background papers:

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

11. Legal considerations:

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

12. Financial considerations:

- 12.1 As outlined in the main body of the report.

13. Performance management considerations:

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

14. Risk management considerations:

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

15. Equalities considerations:

- 15.1 None.

16. Follow-up reports:

- 16.1 Budgetary Control Report, next meeting.

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

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

18. Glossary:

BioMRF = Biological & Materials Recovery Facility

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

The Contractor = ELWA Limited

ELWA/the Authority = East London Waste Authority

IWMS = Integrated Waste Management Services contract

MDR = Mixed Dry Recycling

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

RRC = Reuse & Recycling Centre

19. Reviewed by Management Board

19.1 3 September 2018.

20. Confidentiality:

20.1 Not Applicable.

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BUDGET MONITORING STATEMENT TO 31 JULY 2018

	Original Budget 2018/19	Profiled Budget to 31/07/18	Total Actual to 31/07/18	Variance to 31/07/18	Forecast Outturn to 31/07/18	Outturn Variance
EXPENDITURE	£m	£m	£m	£m	£m	£m
Employee and Support Services	0.470	0.157	0.144	(0.013)	0.470	-
Premises Related Expenditure	0.161	0.069	0.069	-	0.161	-
Supplies and Services						
IWMS Contract Payments	64.976	23.317	22.728	(0.589)	64.387	(0.589)
Supplies-other	0.204	0.068	0.016	(0.052)	0.204	-
Payments to Constituent Councils	3.111	0.778	0.778	-	3.111	-
Capital Financing Costs	0.177	0.041	0.041	-	0.177	-
TOTAL GROSS EXPENDITURE	69.099	24.430	23.776	(0.654)	68.510	(0.589)
INCOME						
Commercial Waste Charges	(2.610)	(0.653)	(0.763)	(0.110)	(2.720)	(0.110)
Interest receivable	(0.040)	(0.013)	(0.036)	(0.023)	(0.040)	-
Other income	(0.363)	(0.120)	(0.150)	(0.030)	(0.363)	-
TOTAL INCOME	(3.013)	(0.786)	(0.949)	(0.163)	(3.123)	(0.110)
Contingency	0.500	-	-	-	0.500	-
NET EXPENDITURE ON SERVICES	66.586	23.644	22.827	(0.817)	65.887	(0.699)
PFI grant receivable	(3.991)	(0.998)	(0.998)	-	(3.991)	-
Levy Receivable	(64.770)	(21.590)	(21.590)	-	(64.770)	-
Net Contribution to reserves	2.175	-	-	-	2.175	-
NET	-	1.056	0.239	(0.817)	(0.699)	(0.699)

ELWA TONNAGE PROFILE 2018/19

	Budget	Actual	Variance
April	39,681	38,039	(1,642)
May	40,523	43,032	2,509
June	44,674	41,678	(2,996)
July	42,570	39,601	(2,969)
August	40,451		
September	40,951		
October	38,497		
November	37,744		
December	35,472		
January	38,212		
February	32,498		
March	37,727		
Total	469,000		(5,098)

AUTHORITY REPORT: PREPARATIONS FOR FUTURE WASTES MANAGEMENT ARRANGEMENTS - UPDATE

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 To note the report.

3. Purpose

3.1 This report is a brief update on work over the summer on preparations for future resources and wastes management arrangements for East London.

4. Background

4.1 Members received a report at the AGM in June setting out the principal background to the work needed on preparing for the end of the Integrated Waste Management Services contract (IWMS) with ELWA Ltd (for which Renewi UK Services Ltd is the 'Operator') in 2027 (noting that the contract can be extended by up to five years). It proposed that:

- a) an East London Joint Resources and Wastes Strategy (ELJRS) for local authority waste services be prepared together by the Authority and the Constituent Councils (in their capacity as waste collection authorities) to inform the development of local waste services after the IWMS; and
- b) an East London Joint Waste Development Plan (JWDP) document to set out land-use planning policy for local authority wastes and a wide range of other wastes be prepared by the Constituent Councils in their separate capacity as local planning authorities, with input from ELWA as the waste disposal authority for the area.

5. East London Joint Resources and Wastes Strategy

5.1 Officer liaison has started between ELWA and the Constituent Councils on the structure and term of the ELJRS and what the organisational needs are in order to develop it in a timely way. The London Mayor's requirement for Reduction and Recycling Plans from each of the Constituent Councils was also noted.

5.2 The post of Head of Strategy and Development has been created at ELWA, and a recruitment process is underway, with interviews scheduled to take place during the week after this meeting. The post holder will take forward in the first instance work on the appointment of consultants to assist with the detailed modelling on waste arisings during the ELJRS period and optimum re-use and recycling arrangements.

6. Joint Waste Development Plan for East London

6.1 Similarly, officer liaison has started between ELWA and the four local planning authorities (LPAs). LPA officers will be developing and bringing forward proposals to their relevant Councillors for the development of a new Joint Waste Development Plan (JWDP) to support their Local Plans and the London Plan.

6.2 The Authority's new Head of Strategy and Development will lead on the interface with the LPAs too.

7. Next Steps

7.1 A detailed timetable for the development of the ELJRWS will be developed by the new Head of Strategy and Development, but work is already underway in relation to the tendering and contract documentation that will be necessary to appoint external advisers as noted at para. 5.2 above. This will be done as soon as possible.

8. Relevant officer:

8.1 Andrew Lappage, Managing Director / e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614.

9. Appendices attached:

9.1 None.

10. Background papers:

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

11. Legal considerations:

11.1 The report provides a brief update for future wastes management arrangements that do not give rise to any further legal issues that those set out against the more detailed report referenced at paragraph 10.1 above.

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 profile of strategy expenditure will start to be developed during 2018/19, however, there will be some costs incurred during this financial year as outlined earlier in this report, which will be met from the Strategy reserve.

13. Performance management considerations:

13.1 Officers will draw on their own experiences and will seek advice from peers and external advisers as necessary in order to develop and implement 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 same will apply to a new JWDP, and also the sustainability appraisal process which is an iterative part of the plan making process will include equalities considerations. The engagement and management of external advisers will have full regard to equalities considerations. The employment of new ELWA staff is through Barking & Dagenham's procedures, so will also have full regard to equalities considerations.

16. Follow-up reports:

16.1 As required.

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

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

18. Glossary:

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

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

ELWA / the Authority = East London Waste Authority

IWMS = Integrated Waste Management Services contract

JWDP = Joint Waste Development Plan (for planning applications for waste facilities to be assessed against)

The Operator = Renewi UK Services Ltd (formerly Shanks east.London)

LPA = Local Planning Authority

19. Reviewed by Management Board

19.1 Oral update provided – 03 September 2018.

20. Confidentiality:

20.1 Not Applicable.

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

Agenda Item 11

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AND SPECIFIC OFFICERS ONLY