NOTICE OF ANNUAL GENERAL MEETING

Friday, 28 June 2019 at 9.30am
Committee Room 2, Town Hall, Town Hall Square, 1 Clockhouse Avenue, Barking, IG11 7LU

Members


Andrew Lappage
Managing Director

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

AGENDA

For Decision 1. Membership and Appointment of Chair, Vice Chair & ELWA Limited ‘A’ Director for the Year 2019/20. (pages 1-4).

In accordance with the Constitution, Members will be invited to make nominations and conduct the vote for the positions of Chair and Vice Chair of the Authority and ‘A’ Director of ELWA Limited.

For Information 2. Apologies for absence.

For Information 3. Declaration of Members Interest.

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

For Decision 4. Appointment of Monitoring Officer and Legal Adviser (pages 5-6)

For Decision 5. Minutes – To agree Part 1 (Public Items) of the minutes of the Authority meeting held on 04 February 2019 and authorise the Chair to sign the same. (pages 7-14)

For Decision 6. Nominations under Section 41 of the Local Government Act 1985. (pages 15-16)


For Decision 8. Annual Governance Statement 2018/19 (pages 25-36)

External Auditors from Ernst & Young will be in attendance for this and the next item.

Appendices A B & C are not available and will be circulated under separate cover marked Supplementary 1 for which the Chair will be asked to decide if the item can be considered at the meeting as a matter of urgency under the provisions of Section 100B (4) (b) of the Local Government Act.


For Information 12. DEFRA Resources & Waste Strategy – Summary of Consultation Responses (pages 59-64)


For Decision 15. Modern Slavery Statement (pages 85-92)

For Information 16. Date of next meeting: Friday 27 September 2019 at 9.30 am.

At the request of the Chair the next meeting has been rescheduled from the agreed date of Monday 07 October to Friday 27 September 2019 at Barking Town Hall. Members are asked to note the date of the next Authority meeting.

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

For Decision 18. To consider whether it would be appropriate to pass a resolution to exclude the public and press from the remainder of the meeting due to the nature of the business to be transacted.

Confidential Business

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

For Information 19. Minutes – To agree Part 2 (Restricted Items) of the minutes of the Authority meeting held on 04 February 2019 and authorise the Chair to sign the same. (pages 93-94)

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

For Decision 20. Closed Landfills – Wennington Farm & Aveley (pages 95-100)
<table>
<thead>
<tr>
<th>For Information</th>
<th>21. ELWA Limited 08/05/19 Board Meeting (pages 101-104)</th>
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<tr>
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<td>This report has been restricted to Members and specific officers only.</td>
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<tr>
<td>For Information</td>
<td>22. Any other confidential or exempt items which the Chair decides are urgent.</td>
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AUTHORITY REPORT: MEMBERSHIP AND APPOINTMENT OF CHAIR, VICE CHAIR AND ELWA LIMITED “A” DIRECTOR FOR THE YEAR 2019/20

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 Members are asked to:

a) note the change in the composition of ELWA’s membership and the appointments made in accordance with the Constituent Councils’ internal procedures and ELWA’s Constitution as set out at paragraph 4.2 of the report;

b) agree the appointments of the ELWA Chair and Vice Chair and ELWA Limited “A” Director and delegate Authority to the Managing Director, in consultation with the Chair, to appoint an Alternate “A” Director for the year 2019/20; and

c) authorise officers to prepare letters of thanks to any outgoing Members.

3. Purpose

3.1 To note the appointment of Members for the municipal year 2019/20 and authorise officers to prepare letters of thanks to outgoing Members.

3.2 To agree the appointments of Chair, Vice Chair and “A” Director for ELWA Limited for the year 2019/20.

4. New Membership

4.1 The Constitution is the corporate governance document by which ELWA operates and paragraphs 4.1 Part A and 4.2, Part B, of the Constitution set out the process for member appointments to ELWA.

4.2 The London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge have each given notice to ELWA of their appointments for the year 2019/20 as follows:

<table>
<thead>
<tr>
<th>London Borough</th>
<th>Previous Representative</th>
<th>Current Representative</th>
<th>Confirmed</th>
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</thead>
<tbody>
<tr>
<td>Barking &amp; Dagenham</td>
<td>Councillor Dorothy Akwaboah, Councillor Syed Ghani</td>
<td>Councillor Dorothy Akwaboah, Councillor Syed Ghani</td>
<td>28/05/19</td>
</tr>
<tr>
<td>Havering</td>
<td>Councillor Robert Benham, Councillor Osman Dervish</td>
<td>Councillor Robert Benham, Councillor Osman Dervish</td>
<td>28/05/19</td>
</tr>
<tr>
<td>Newham</td>
<td>Councillor James Asser, Councillor Rachel Tripp</td>
<td>Councillor James Asser, Councillor Genevieve Kitchen</td>
<td>19/06/19</td>
</tr>
<tr>
<td>Redbridge</td>
<td>Councillor Sheila Bain, Councillor John Howard</td>
<td>Councillor Sheila Bain, Councillor John Howard</td>
<td>07/06/19</td>
</tr>
</tbody>
</table>
5. **Appointment of Chair, Vice Chair and ELWA Limited “A” Director**

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

5.2 Under the Constitution, appointments to the position of Chair and, Vice-Chair are the first business to be decided upon at ELWA’s Annual General Meeting (AGM). It is also the practice to appoint the “A” Director to ELWA Ltd at the AGM.

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

5.4 The Constitution further provides that in making the appointments to the positions of Chair and Vice Chair, the Authority shall endeavour as best as possible to ensure that the positions of Chair and Vice Chair are not occupied in any one year by both Members of the same Constituent Council.

5.5 The appointments to the positions of Chair and Vice Chair are for one year, and there is no maximum number of times a Member may be appointed since the Constitution was updated in February 2019.

5.6 Further, the Constitution at Section A (paragraph 1.2(ii)) also provides for the appointment of a person to the post of “A” Shareholder Director (A Director) of ELWA Ltd (the Contractor). There are no restrictions as to who the Authority may appoint to this role. For the past year Cllr Akawboah has formally held the post of “A” Director. Most meetings of ELWA Limited require the presence of the A Director, in order for the meeting to be quorate. The Articles of Association of ELWA Limited make provision for ELWA to appoint an Alternate (substitute) Director for the A Director in the event that the A Director is unable to attend meetings. This person could be a waste professional (possibly retired) or an experienced non-executive director, for whom appropriate remuneration may be required or another Authority Member.

6. **Member Induction**

6.1 The new Member will be provided with an Induction and given an opportunity to visit the key waste facilities at Frog Island with Officers.

7. **Relevant officer:**

7.1 Andrew Lappage, Managing Director / Tel: 020 8724 5614 / email: andrew.lappage@eastlondonwaste.gov.uk and Fiona Taylor, Acting Monitoring Officer / Tel 020 8227 2114 / email: fiona.taylor@lbld.gov.uk

8. **Appendices attached:**

8.1 None.

9. **Background Papers:**

9.1 None.
10. **Legal Considerations:**

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

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

10.3 This report was prepared by the Managing Director and the Acting Monitoring Officer and Legal Adviser to the Authority and other legal or constitutional implications have been incorporated in the body of the report.

11. **Financial Considerations:**

11.1 None.

12. **Performance Management Considerations:**

12.1 None.

13. **Risk Management Considerations:**

13.1 Members should be aware of potential conflicts of interests and declare any such interests when undertaking ELWA business.

14. **Equalities considerations:**

14.1 ELWA Members are elected by their ward constituents through democratic elections and appointed to ELWA by their respective Councils in accordance with their constitutions. Therefore, equality impacts are not considered to arise from the member appointment process or the matters covered in this report.

15. **Follow-up Reports:**

15.1 Annual.

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


17. **Glossary:**

Contractor=ELWA Limited

ELWA / Authority = East London Waste Authority

LBBBD = London Borough of Barking & Dagenham

LBH = London Borough of Havering

LBN = London Borough of Newham

LBR = London Borough of Redbridge
18. **Reviewed by Management Board:**

18.1 14 June 2019

19. **Confidentiality:**

19.1 Not applicable
AUTHORITY REPORT: APPOINTMENT OF MONITORING OFFICER & LEGAL ADVISER

1. Confidential Report:
1.1 No.

2. Recommendation:
2.1 Members are asked to accept Fiona Taylor as the Authority’s Legal Adviser and to appoint her as the Authority’s Monitoring Officer.

3. Purpose:
3.1 To advise Members of a change in Legal Adviser to the Authority and to appoint a Monitoring Officer.

4. Background:
4.1 The Local Government and Housing Act 1989 requires the Authority to appoint a Monitoring Officer. The full range of the Monitoring Officer’s responsibilities are set out in the Constitution.

4.2 Members have agreed, as set out in the Constitution (Part G para 2.2), that its Legal Adviser should be appointed as Monitoring Officer to the Authority. Since late 2016, that role of Legal Adviser and Monitoring Officer has been held by Suzan Yildiz, of the London Borough of Barking & Dagenham. Suzan Yildiz has now left this Constituent Council so her role in this regard has ceased.

4.3 On an interim basis the Managing Director has accepted Fiona Taylor, Director of Law and Governance and Monitoring Officer at the London Borough of Barking and Dagenham, as Legal Adviser to the Authority and has appointed her as Acting Monitoring Officer so that the Authority is not without someone in this statutory role.

4.4 The formal appointment of a Monitoring Officer is reserved to the Authority.

5. Conclusion:
5.1 As the previous Legal Adviser and Monitoring Officer has now left Barking and Dagenham the lead Constituent Council for legal advice it is necessary to appoint a replacement to that post. The recommendation is to accept Fiona Taylor as Legal Adviser and to appoint her as Monitoring Officer for the Authority.

6. Relevant officer:
6.1 Andrew Lappage, Managing Director / Tel: 020 8724 5614. / e-mail: andrew.lappage@eastlondonwaste.gov.uk

7. Appendices attached:
7.1 None.
8. **Background Papers:**

- 26/03/03 Constitution and Standing Orders – Additional Recommendation Report and Minute No. 1207
- 25/06/03 ELWA Constitution and Standing Orders Report and Minute No. 1217
- 29/09/08 Monitoring Officer Report & Minute No. 1603
- 21/11/16 Appointment of Monitoring Officer report and Minute 31/2016

9. **Legal considerations:**

9.1 The proposals set out in this report are consistent with the legal requirement for the Authority to appoint a Legal Adviser and Monitoring Officer and compliant with the Authority’s Constitution.

10. **Financial considerations:**

10.1 The costs of the Monitoring Officer and support, along with the Legal Adviser support, are met from the ELWA support costs budget. As well as being a statutory position the role of the Monitoring Officer promotes probity and good governance in the Authority’s affairs.

11. **Performance management considerations:**

11.1 There are no performance management issues related to this report.

12. **Risk management considerations:**

12.1 None.

13. **Equalities considerations:**

13.1 None.

14. **Follow-up reports:**

14.1 None.

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

15.1 www.eastlondonwaste.gov.uk

16. **Glossary:**

16.1 ELWA/the Authority = East London Waste Authority.

17. **Reviewed by Management Board:**

17.1 14 June 2019.

18. **Confidentiality:**

18.1 Not applicable.
AUTHORITY MINUTES – MONDAY 04 FEBRUARY 2019 - PART 1 PUBLIC ITEMS:
(9.45 AM–11.15 AM)

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

The Members agreed a delayed start to the meeting due to travel disruptions.

1. **Apologies for Absence**

An apology for absence was received on behalf of Councillor R Tripp and apologies for late arrival from Councillors S Bain, Councillor R Benham and Ms D Hanson, External Auditor.

2. **Declaration of Members’ Interests**

There were none declared.

3. **Minutes – Part 1 (Public Items) of previous meeting: 19 November 2018**

Members confirmed as true and accurate the public minutes of the Meeting held on 19 November 2018. The Chair was authorised to sign the same.

The Chair asked the Members whether they would be happy to vary the day and time of the meetings identified in these Minutes (Minute 7). A change in circumstances had necessitated his request to avoid attendance on a Monday morning. Members were not averse to moving the meetings and Officers were asked to secure more convenient days/times with Members.

4. **External Audit Plan 2018/19**

Members received the Finance Director’s report and attached External Auditor’s Provisional Audit Planning Report for the period 1 April 2018 to 31 March 2019, to include the 2018/19 final accounts audit.

Two representatives from the External Auditors, Ernst & Young, attended the meeting and the Associate Partner, Debbie Hanson, provided commentary and detail on the External Audit Plan 2018/19.

The audit strategy would cover audit and value for money risks, audit materiality and the scope of the audit would look at misstatements due to fraud or error, PFI liability and annual charges, valuation of property, plant and equipment, incorrect adjustments through movement in the reserves statement, pension liability valuation and implementation of new accounting standards.

Work had already started on the audit and the following were the issues identified with significant risks that may need assistance from specialists if the results of the review were out of line with expectations:

a) PFI liability and annual charges and review of the financial model – Ernst & Young PFI specialists;
b) property, plant and machinery valuation (in view of the size of the balance on the balance sheet) – the Authority’s property valuer/Ernst & Young Estates team; and
c) pension disclosure – Ernst & Young Pensions Advisory, PwC and Barnett Waddingham (LPFA Pension Fund Actuary).

The External Auditor explained the planned materiality level of £1.25m, representing 2% of prior year’s gross expenditure; the performance materiality level is to be £0.94m representing 75% of planning materiality; and audit misstatements level below which reporting is not necessary is £0.062m. The Auditor also noted that any other misstatements found would be brought to the Authority’s attention.
The value for money risk assessment work had not yet been complete and the Auditors will look at the impact of Brexit on future service provision, medium term finance and investment values. When asked when this work would be undertaken the External Auditor responded that the value for money work would be by March. The Auditor confirmed that she will report back on any major issues arising from the audit.

The Chair thanked the Auditors for their report.

**Members noted and agreed** the External Audit Plan.

5. **Budget Control & Contract Monitoring to 31 December 2018**

Members received the regular report prepared by the Managing Director and Finance Director for the period to the end of December, together with the budget monitoring statement to 31 December 2018 and tonnage profile appendices.

The Finance Director introduced the report stating that Appendix A provided a good financial summary of what was in the report. An outturn underspend of £2.141m was forecast, due to lower tonnages received (by £1.848m) and additional income (£0.124m). The London Borough of Barking & Dagenham’s housing service was a large contributor to the additional £0.124m commercial income expected to be received. Other forecast underspends related to professional fees (£0.060m) and payments to Constituent Councils (£0.043m). The forecast outturn underspend did not include any draw-down from the contingency. Interest receivable was due to exceed budget by £0.030m and other income by £0.035m. Tonnages received to date were 4.5% below profiled budget at the February 2018 Levy setting process. The contingency budget remained at £0.500m and, if unspent, this amount would be carried forward into the Revenue account to help any step increase in the 2019/20 Levy.

The Managing Director added that in terms of tonnage changes these were very slightly lower than last year and therefore tonnage growth did not yet arise. A range of communications work with schools by the Contractor, the Constituent Councils and Keep Britain Tidy had been undertaken to help minimise the tonnages.

**Members** were asked to approve an amendment to the recommendation that would allow the Finance Director to agree the outturn for 2018/19.

**Members noted** the report and forecast outturn and **delegated authority** to the Finance Director to agree the outturn for 2018/19.

6. **Constitution Review**

**Members** received the Monitoring Officer’s report, including Appendices A-G in relation to the outcome of the comprehensive review of the Constitution.

Members received commentary from the Monitoring Officer on the previous ‘light touch’ review carried out by the Managing Director in accordance with delegated powers. The Monitoring Officer advised that this report covered the wholesale review intended to bring the Constitution into line with best practice for democratically accountable public authorities and the practice of the Constituent Councils, particularly in relation to governance, standards, data protection, procurement, spending and contract and financial rules. Governance changes related to the Localism Act (2011) requirements of the Nolan Committee’s seven standards in public life expected of a public body. Therefore, a completely new Member’s code of conduct, Employees’ code of conduct and inclusion for the first time of a new Member/Officer protocol have been drawn up.

Statutory protection for the Managing Director, Monitoring Officer and Finance Director required changes to Part B that establish a Disciplinary Panel Sub-Committee with decision making assisted by an independent person, as in the Localism Act. Other changes included the removal of the use of oral quotes for lower cost items and the creation of a clear audit trail; a full review of the rules against revised Public Contract Rules 2015; that current EU thresholds are followed; changes to the Employment Rules in relation to the establishment and composition of a Disciplinary Panel for Statutory Officer protection. Land acquisition changes had received a light touch review with changes
enabling the Authority to use an independent surveyor as valuer. The Codes of Conduct had been rewritten to cover key areas such as data protection, information handling and confidentiality, equalities, health and safety, whistleblowing, political neutrality and transparency. A new Member/Officer code had been introduced.

The Managing Director pointed out that Appendix G contained a summary and explanation of other proposed changes which included removal of the automatic rotation of the Chair every two years. It was believed that this was not in the best interest of continuity during the development and implementation of the new joint resources and waste strategy. Officers were asked to clarify the process re. Part 26.1 under Part B1 – Articles/Meetings, in particular the Managing Director’s powers in the case of urgent action and the requirement for consultation with the Monitoring Officer and Finance Director and then with the Chair and/or Vice Chair. This was discussed, and it was agreed that in the event of the Chair and/or Vice Chair being unavailable, the process would always require consultation with two Members.

Members considered the prescriptive nature of paragraph 3.1 Annex C – Expenses & Claims at Part E relating to subsistence allowances and they challenged the out-of-pocket expenses in relation to current day prices. It was the Members’ view that these were unrealistically low, and the wording should be amended to read ‘not exceed £10 per meal’.

Members noted the report and agreed the revisions to the Constitution to include those additional changes mentioned above.

7. **Review of the Corporate Risk Register**:

Members received the Managing Director’s report, appendices and commentary advising that the risk register was central to good governance and effective strategic management of the Authority. The register was split into two categories, corporate and operational risks, and although reviewed annually it was updated as and when changes in the Authority’s risks profile were identified.

The Managing Director drew Members’ attention to Corporate risk C6 (Brexit), C7 (new legislation) and a new risk C14 (revised local resources and waste strategy arrangements).

Of the fourteen Corporate risks identified, three were high scoring and only one, insurance, was assessed as probable due to difficulties faced by the Contractor in the insurance market resulting from wider waste industry issues.

The Managing Director advised Members that the risk register had been expanded to include the risk associated with Brexit. He stated that the contractor was seeking additional storage facilities and UK markets in preparation for potential difficulties with Refuse Derived Fuel, should export markets become unworkable. The MBT treatment hall currently being refurbished would be available shortly. Looking at the longer term and worst-case scenario, arrangements were in place for the Contractor to landfill these materials.

In respect of implementation of new legislation, this relates to the Government potentially making significant changes to legislation on what wastes fall to local authorities, and how these wastes are to be managed.

Twelve Operational risks had been identified of which none were considered high.

It was believed that adequate controls were in place for the identified risks.

Members approved the revised corporate and operational risk registers.


Members received the Finance Director’s Treasury Management Strategy report and four appendices detailing new borrowing requirements, debt management arrangements, minimum revenue provision policy statement, annual investment strategy, treasury management policy statement and prudential indicators for capital & treasury management.
In commentary the Finance Director advised that provision had been made for a borrowing programme of up to £60.4m which included £60m to enable the purchase of land for the post 2027 joint resources and waste strategy, should the need arise, and potential capital works at the landfill of £0.4m. Capital reserves remained at £0.1m. The current Public Works and Loan Board borrowing rate would remain until such time as new borrowing was required when the rate would be renegotiated.

The Finance Director advised that cash balances would vary between £15m and £26m and all investments were within the approved asset limits.

Members questioned whether the borrowing for 2027 was in preparation for the new facility and whether this would facilitate expenditure without the approval to Members. The Finance Director responded that the strategy and indicators put provisions in place to cover all bases, but that the approval of Members for any expenditure would be sought in the usual way.

**Members agreed** the Medium-Term Financial Strategy for the years 2019/20 to 2023/24 as set out in the recommendations.

9. **Annual Budget & Service Delivery Plan (ABSDP) 2019/20**

**Members** received the joint report of the Managing Director stating that he had concerns about the submitted 2019/20 ABSDP and that he could not recommend to the Authority that it approves the documents as drafted. The report included information on the current position including tonnages, recycling and diversion performances, Brexit, contractual cost and efficiencies and communications plan for 2019/20.

In relation to the 2019/20 ABSDP, Members were advised that the projected recycling rate of 26.5% remained below the 33% recycling target in the contract specification, but officers advised that it did reflect a realistic position for the coming year and could see that with the Operator's anticipated performance improvements it was possible the target may be met in 2020-21 if changes can be agreed and implemented by all parties. Members were reminded that the ABSDP had not been accepted for the last five years due to the recycling target being below 33%. They also noted that there were no financial deductions the Authority could impose at this level of recycling; however, should the figure fall below 22%, then financial deductions would apply.

Members were advised not to approve the ABSDP, but also noted that a formal rejection of the ABSDP was not advised because firstly this would not be conducive to ongoing discussions and negotiations for improvements, and secondly it may trigger the Dispute Resolution Procedure which would not necessarily be favourable to the Authority. The Managing Director advised that officers were working with the Contractor to move progressively towards the Contract specification targets.

The Managing Director reported that one of the Mechanical Biological Treatment (MBT) floors at Jenkins Lane had been repaired and the MBT hall was now up and running again. Relaying of one of the floors at Frog Island will start soon. The Chair commented that, on a recent site visit, he was impressed with the work carried out and found it reassuring.

The Managing Director informed Members of the position regarding a recent fire affecting a materials recycling facility at Lincoln used by Renewi, and the re-routing of recyclables from LB Newham and LB Barking & Dagenham, and the improved recycling captured by the alternative off-taker. In addition, he advised that Biffa were working with LB Havering (through the Operator and the Authority) with a view to achieving better quality recyclables. He briefly advised on LB Redbridge’s comprehensive review of the waste collection service which included the potential for changes to recycling collection services.

The Managing Director proposed that officers continue to work with the Contractor and the Operator with a view to achieving a level at which the ABSDP could be approved.

**Members noted** the recommendations within the report.
10. **Revenue & Capital Budgets and Levy 2019/20**

*Members* received the Finance Director’s report and five appendices containing a Summary of Revenue Budgets for 2018/19 and Forward Budget for 2019/20 (£68.979m); Financial Risk Analysis 2019/20; Split of levy increase by Constituent Council 2018/19 to 2019/20; Population & housing projections over the five-year period; and Capital Strategy and capital programme 2019/20 (£60.400m). Members were being asked to agree the revenue budget and capital programme for 2019/20 and determine and agree the levy for 2019/20.

In commentary, the Finance Director advised that at February last year the forecast average increase in the Levy was 5.94%, in November that figure reduced to 5.52% (as set out in the Medium-Term Financial Strategy) and now the average increase proposed was 4.2% with the specific levies for each Constituent Council differing. Contributory factors were a reduction in the contract insurance costs, projected tonnages, inflation and reserves. The proposed levy for 2019/20 was £67.488m.

The Levy had been set based on the General Revenue Reserve being maintained at £3m over five years and the new Business Risk Reserve stood at £2m. It was anticipated that the Strategy Reserve would reach £22.458m (excluding draw-downs) at the end of 2023/24. This reserve would be built up in stages to fund revenue expenditure anticipated for the work towards the waste management arrangements post 2027. The Capital Reserve is to be maintained at £0.100m for potential future costs relating to the Aveley Landfill site. It was hoped to work towards future average levy increases over the next five years of between 3.75% and 5.39%, with the avoidance of any sharp increases in order to help the Constituent Councils with their own budgets.

Tonnages for 2019/20 are projected at 462,000 tonnes with an increase of 6,000, 9,000 and 8,000 tonnes respectively for the years 2020/21 to 2023/24 reflecting Band D property and population increases. These figures will be reviewed annually.

Clarification was sought on the level of LB Redbridge’s levy and the reasons behind it. This was explained as being due to the way the levy mechanism deals with LB Redbridge’s green garden waste service changes since 2017/18 and its relative number of Band D properties. Members and officers discussed the free and chargeable green garden waste services and doorstep collections and property growth within the Constituent Councils and the impact these had on the Levy generally. Members were reminded that as their numbers of households increased their Council Tax income would contain an element for waste services to offset against the Levy.

A greater understanding of ELWA’s future strategy was being sought by the Cabinet at one of the Constituent Councils.

*Members agreed:*

(a) the revenue budget totalling £68.979m as set out in Appendix A of the report;

(b) the capital strategy and capital programme for 2019/20 totalling £60.400m as set out in Appendix E of the report;

(c) the commercial waste charges for 2019/20 as: Commercial Waste - Recycled: £86 per tonne; and Commercial Waste - Other: £161 per tonne;

(d) that on the basis of (a) to (c) above, ELWA determined its levy for 2019/20 at £67.488m, being an average increase of 4.20%;

(e) that, on the basis of the agreed formula for apportioning the levy, the levies for the Constituent Councils and percentage increases be:

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<tr>
<th>Constituent Council</th>
<th>£m</th>
<th>% increase</th>
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<tbody>
<tr>
<td>Barking and Dagenham</td>
<td>12.535</td>
<td>3.27</td>
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<tr>
<td>Havering</td>
<td>17.049</td>
<td>7.32</td>
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<td>Newham</td>
<td>20.001</td>
<td>5.25</td>
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<tr>
<td>Redbridge</td>
<td>17.903</td>
<td>0.91</td>
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(f) the risk analysis of the budget and the policy on reserves contained in the report; and

(g) the continuation of existing arrangements for the payment of the levy, commercial and other waste charges.

11. DEFRA Resources & Waste Strategy

Members received a report on the DEFRA Resources and Waste Strategy report from the Managing Director that provided an overview of the key points of DEFRA’s newly published “Our Waste, Our Resources; A Strategy for England”. The Resources & Waste Strategy (RWS) was published shortly before Christmas 2018 and set out how the country will preserve material resources by minimising waste, promoting resource efficiency and move towards a circular economy. Members were advised that officers had engaged in discussions and had input into its direction and content, as had other waste disposal authorities. The Local Government Association had produced a briefing on the RWS (dated 20/12/18) and a copy was attached to the report at Appendix A.

The report outlined the chapters of the Government’s Resources and Waste Strategy.

1) Sustainable Production: including the manufacture of products, Extended Producer Responsibility (EPR), and funding of packaging management to end-of-life. Reform models being considered were: deposit and return schemes; funding for local authorities; producer collection services; improvement to producer responsibility schemes for WEEE, battery and end-of-life vehicles. In addition, the EPR approach could be extended in the future to materials such as textiles, bulky waste, construction and demolition waste, vehicle tyres and fishing gear. The Authority and Constituent Councils are likely to be impacted by any new targeted EPR materials in terms of collection, treatment/disposal infrastructure and any changes to WEEE legislation.

2) Helping Consumers Take More Considered Action: there are proposals to ban certain plastic products, e.g. cotton buds, straws, stirrers (ELWA had previously responded to a consultation on these items), the introduction of a single use drink container deposit and return scheme, and reuse shops at Reuse & Recycling Centres.

3) Recovering Resources & Managing Waste: the document sets out core materials to be collected by all local authorities to deliver consistent recycling collection services and a better quality materials collection (this would potentially impact on Constituent Councils and ELWA if introduced before the end of the IWMS contract); introduction of mandatory separate food waste collections; the scrapping of chargeable green garden waste schemes; introduction of non-binding performance indicators; increase in urban areas’ recycling rates (a concern to ELWA if not fully funded); improvement to shared working between Local Authorities; divergence in assumptions and forecasts between national and regional policy positions regarding the need for waste treatment infrastructure in London; and proposals to reconsider the introduction of an incineration tax.

Of less immediate significance to the Authority were chapters on

4) Tackling Waste Crime.

5) Cutting Down on Food Waste: Officers are helping Constituent Councils with commonality and a consistent approach to their local Reduction & Recycling Plans for the June deadline.

6) International leadership: Officers will monitor new proposals on exported fuels and recyclables.

7) Research & Innovation: calls for evidence may be made on the Authority and/or Operator; and

8) Data, Monitoring & Evaluation: proposals for carbon, natural capital rather than waste tonnages and the move away from waste to consumption of natural resources.
The Head of Strategy and Development advised that the Resources & Waste Strategy’s planned consultations were on packaging (consultation during 2019), two new EPR schemes (by mid-2022), and three more EPR schemes (by 2025). The announcement of four more large consultations is imminent and expected to relate to Extended Producer Responsibility, a Deposit Return Scheme, Consistency of Recycling Collections, and Plastics recycling. It is expected that responses will be due before the next Authority meeting. The key issues for the Authority to address will be the transition processes and periods between current legal positions and possible future changes implemented in line with the RWS; mandated service changes generating extra costs to the Authority, Constituent Councils or Operator; the wider financial implications of EPR and financial impacts on consumers/residents; availability of funding reverting to local authorities for reinvestment in waste collection/treatment infrastructure; a lifecycle and environmental impact analysis of proposed alternative materials and treatment technologies to avoid additional problems for local authorities; and the London Environment Strategy’s requirement for forward-looking four-year waste Reduction & Recycling Plans (RRPs) from the Constituent Councils. He advised that Officers were working with the Constituent Councils to produce a consistent approach on which to build the RRPs and the East London Joint Resources & Waste Strategy.

The Managing Director sought confirmation that, in conjunction with the Chair, he should respond to further consultations from DEFRA on the specific concepts within the Resources & Waste Strategy and update Members accordingly. He advised that there was a lot of work to be done with the Councils in order to understand what the position will be. He also noted that if the producers have to pay in part or in full for local authority services, then it was feasible that they would want control of the materials and some say over services. He added that any money that may become available to Authority and/or the Constituent Councils may come with conditions.

Members considered the inconsistency of recycling collection services generally and the possible confusion to residents moving across boundaries; the impact for Renewi if the direction changes materially from that when the contract was entered into; Renewi’s engagement with DEFRA and whether they will respond to the consultations; and the difficulties of putting in place new residual waste infrastructure.

Members noted the report and agreed the action that the Managing Director, in consultation with the Chair, responds to the additional consultations from DEFRA on the specific concepts within the RWS and keeps Members updated accordingly.

12. Riverside Energy Park DCO Application - Update

Members received the report of the Managing Director updating Members on the Development Consent Order (DCO) application that had been submitted to the Planning Inspectorate by Cory Riverside Energy for the inclusion of a second Energy Recovery Facility (ERF), anaerobic digestion facility, solar panels & battery storage at the proposed Riverside Energy Park (REP) at Belvedere. The Head of Strategy & Development advised that officers sought approval to the Authority’s general approach and representation to the Planning Inspectorate as set out in Appendix D.

In commentary the Members were advised that the proposed ERF proposal would have a capacity of 650,000 tonnes per annum to fill a residual waste treatment gap in South East London. In July 2018 the Managing Director, in consultation with the Chair, had raised several issues in relation to Cory’s application, as set out in Appendix A, in addition to having discussions with Cory’s agents. Appendix B contained an illustrative site layout plan and location map, and Appendix C set out background information on how waste is managed elsewhere in London.

Members noted that the London Environment Strategy presumes no such new energy recovery facilities are needed in London, and requires that those already approved and being built meet the Carbon Intensity Floor, which will require waste heat to be used locally. The proposed ERF will be heat-enabled, and there are proposals for housing developments in the Belvedere area; however, it appears the existing ERF may be sufficient to meet their heat energy needs.
In addition, Members noted the proposed REP is to receive wastes via barges on the Thames, but that it was not clear if this would require the development of new waste transfer stations at protected wharves elsewhere along the river.

Members discussed the implications of the detailed DCO application in relation to the Authority’s own future strategy. The discussions included logistical and transport issues, potential transport costs and overall provision of infrastructure in the East London and Thames Gateway areas.

**Members noted** the report and agreed the general approach and ELWA’s outline representation to the Planning Inspectorate.

13. **Date of Next Meeting (Annual General Meeting): Friday 28 June 2019**

Members noted that the next meeting of the Authority was scheduled to be the Annual General Meeting and held on Friday 28 June 2019 at the Town Hall, Barking.

14. **Any other public items**

There were none.

15. **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).

16. **Minutes - Part 2 (Restricted Items) of previous meeting: 19 November 2018**

**Members confirmed** as true and accurate the minutes of the restricted items discussed at the Meeting held on 19 November 2018. The Chair was authorised to sign the same.

17. **IWMS Contract – Insurance Renewal 2019**

**Members received** the Managing Director’s report and agreed the recommendation.

18. **ELWA Limited Update**

**Members received** the Managing Director’s oral update was noted.
AUTHORITY REPORT: NOMINATIONS UNDER SECTION 41 OF THE LOCAL GOVERNMENT ACT 1985

1. Confidential Report:
   1.1 No.

2. Recommendation:
   2.1 In accordance with Section 41 of the Local Government Act 1985, the Authority is required to nominate from its membership, one Member from each of the Constituent Councils, to answer questions on behalf of the Authority, put by other Members of his/her Constituent Council in the course of council proceedings, pertaining to the discharge of the Authority’s functions for the year 2019/20.

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

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

   4.2 The usual practice has been for ELWA to nominate ELWA Members who are the respective Constituent Council’s Cabinet Member for Environment/Waste matters to answer questions on behalf of ELWA or in relation to the discharge of its functions. Members may wish to consider continuing that practice. Alternatively, a Member who is responsible for another relevant or related portfolio for their Constituent Council could also be suited.

5. Relevant officer:
   5.1 Andrew Lappage, Managing Director / Tel: 020 8724 5614 / email: andrew.lappage@eastlondonwaste.gov.uk and Fiona Taylor, Acting Monitoring Officer / Tel 020 8227 2114 / email: Fiona.taylor@lbld.gov.uk

6. Appendices attached:
   6.1 None.

7. Background papers:
   7.1 None.
8. **Legal considerations:**

8.1 This report is necessary to ensure that the Authority complies with its statutory requirements concerning transparency and accountability in relation to questions in relation to waste functions under S41 of the Local Government Act 1985. The main report has addressed the relevant legal implications and there are no additional legal issues to mention.

9. **Financial considerations:**

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

10. **Performance management considerations:**

10.1 None.

11. **Risk management considerations:**

11.1 None.

12. **Equalities considerations:**

12.1 The equalities impact assessment identified no matters of concern.

13. **Follow-up reports:**

13.1 None.

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


16. **Glossary:**

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

ELWA / the Authority = East London Waste Authority

17. **Reviewed by Management Board:**

17.1 14 June 2019.

18. **Confidentiality:**

18.1 Not applicable.
AUTHORITY REPORT: FINAL FINANCIAL OUTTURN POSITION AND CONTRACT MONITORING REVIEW FOR THE YEAR 2018/19

1. Confidential Report

1.1 No.

2. Recommendation:

2.1 To note this report.

3. Purpose

3.1 This budgetary control report compares ELWA’s actual expenditure for the year ended 31 March 2019 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.

4. Background

Revenue Budget

4.1 ELWA’s financial outturn for 2018/19 was a £4.292m underspend mainly comprising of lower than budgeted waste disposal tonnages and insurance premiums, additional income and the contingency budget not having been utilised. The underspend has been transferred to reserves as described later in the report.

4.2 The underspend has increased significantly since the February Authority report which reported a £2.141m forecast underspend. The additional £2.151m underspend is due to the waste disposal tonnages being lower than profiled, contract insurance being less than budgeted and the unused contingency budget. ELWA’s healthier financial performance also materialised from increased commercial waste income from Constituent Councils.

4.3 Appendix A provides a breakdown of the annual budget of £66.586m, the actual net expenditure on services of £62.294m and the variance from budget.

4.4 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 officer analysis of historic waste patterns, potential population growth and economic recovery, the 2018/19 budget and levy setting process assumed 469,000 tonnes. Actual tonnages for the year were 445,706, which is 4.97% below budget. This year the tonnages have been lower than profiled for most of the year resulting in an underspend of £1.844m in respect of the operator payment. Waste tonnages vary due to a number of factors such as householder consumption and recycling behaviour, and changes by companies in packaging their goods.

4.5 Insurance in the waste market in recent years has seen the insurance 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 if necessary. The 2018/19 insurance premium was less than budgeted, resulting in an underspend of £1.054m. This has been transferred to the Business Risk Reserve to provide for potential additional works in the future.
4.6 The current diversion agreement incentivises the operator to divert from landfill as much waste as possible and thus passes the risk of diversion performance onto the operator. Consequently, diversion performance no longer affects the cost of the contract to ELWA with cost pressures determined by tonnage levels. The rate of diversion for 2018/19 was 93.42% against a contract target of 67.00%; this was the highest annual diversion performance to date. Barring complications such as a disruptive Brexit (which could affect exports of Refuse Derived Fuel), this level of diversion should be expected through 2019/20.

4.7 There are variations on non-operator employee costs of £0.019m, premises costs of £0.050m, supplies and services of £0.161m and third-party payments of £0.060m resulting in a total underspend of £0.290m in those areas.

4.8 Interest receivable has over achieved by £0.106m. This is mainly due to an increase in the Bank of England bank rate from August 2018 and some favourable transactions made by the Treasury Management Team.

4.9 Commercial waste income has increased to £0.347m above the budget of £2.610m. This has improved since the February Authority report which was based on December financial information, as only the first quarter of the year had been verified and billed to the Constituent Councils at that time. The following three quarters have fluctuated but have remained better than the budget set.

4.10 Other income is £0.150m over budget, of which £0.103m relates to royalty income, £0.030m to rents and £0.017m to a write back from an historic control account.

4.11 ELWA has not needed to utilise the contingency budget of £0.500m during the financial year, having contained most costs within budget. This amount therefore shows as an underspend at year end.

5. Reserves

5.1 ELWA maintain several reserves to meet specific purposes as follows:

5.2 Revenue Reserve – This reserve is set aside to ensure that ELWA can operate as a going concern and meet any unplanned or unavoidable costs. The current budget strategy is to maintain this balance at £3.000m.

   a) Strategy Reserve – Members have agreed the policy of holding a Strategy Reserve to cover the costs arising from the development and planning for post 2027 waste disposal arrangements. The current balance includes a planned contribution in 2018/19 of £1.175m. £3.292m of the underspend for the year has also been added to the Strategy Reserve, resulting in a total balance of £11.109m. The profile of strategy expenditure and the level of future reserves will start to be developed later in the year.

   b) Business Risk Reserve – This was set up to provide coverage for risks such as those included on ELWA’s risk register. The current balance includes a planned contribution in 2018/19 of £1.000m. An additional contribution of £1.000m has been made following a review of the 2018/19 financial position and evaluation of risks, which brings the total balance on the reserve to £3.000m.

   c) Capital Reserve – The main purpose of the Capital Reserve is for potential future costs for protection of the public at the Aveley and/or Wennington landfill sites to enable expenditure to be financed without the need to borrow or use capital receipts.
5.3 The table below shows the final position of the reserves for 2018/19 and the next five years.

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6. Prudential Indicators

6.1 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.
7. Contract Monitoring

Contract Tonnage

7.1 The 2018/19 year-end tonnage was 445,706t, 1,787t more than 2017/18.

7.2 Although there was a modest increase in tonnage against 2017/18, it was smaller than anticipated based on housing growth figures. However, it was larger than the previous increase (from 2016/17 to 2017/18) which may point towards higher tonnages becoming the trend again over the next several years as increased housing numbers come into effect.

Contract Performance

7.3 Recycling for the year at 24.91% showed an improvement against 2017/18 (23.68%) as a result of several factors. The key changes were improvements made to the efficiency of the Mechanical Biological Treatment facility at Jenkins Lane which allowed for more recycling to be captured from residual waste, and a switch to a more effective third-party Materials Recovery Facility which sorted a higher proportion of useable material from the Mixed Dry Recycling stream. This was despite a general downward trend in garden waste collected, which is easily recyclable, due to the long, hot and dry summer.
7.4 Recycling per Constituent Council:

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<thead>
<tr>
<th>Constituent Council Recycling</th>
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<tr>
<td>LBB</td>
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<tr>
<td>2018/19</td>
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</table>

7.5 The last quarter saw landfill diversion performance reach and maintain its highest performance to date. Barring complications such as a disruptive Brexit (which could affect exports of Refuse Derived Fuel to Europe), this level of diversion should be expected through 2019/20. The year-end performance was 93.42% against a Contract target of 67%.
Contract Monitoring

7.6 All sites have continued to operate to specification.

7.7 Work is continuing to replace the internal floors at the Frog Island MBT facility and is on schedule to complete as planned. Each line of the two MBT’s is being repaired in isolation to allow the other lines to continue accepting waste. This will be repeated throughout the year until all floors at both MBT’s excluding one at Frog Island (which was repaired following the fire in 2014) have been replaced.

Communications

7.8 Keep Britain Tidy continue to host classes at the Education Centre at Jenkins Lane and visit schools promoting the Reduce, Reuse, Recycle message on behalf of ELWA and the Constituent Councils. They engaged with nearly 6,800 children in schools, libraries and youth centres and hosted twenty-four visits to the *MuRFy’s World* education facility at Jenkins Lane.

8. Conclusion

8.1 Tonnage trends, non-household income and insurance costs remain the primary drivers on delivering resources within budget. An underspend of £2.141m was reported to the February 2019 Authority meeting based on actuals to 31 December 2018. The position has continued to improve as outlined earlier in this report.

8.2 The improved 2018/19 financial position for the Authority since setting the budget and levy for 2019/20 enables the Strategy Reserve and Business Risk reserve to be increased. The profile of strategy expenditure will start to be developed during 2019/20 and is a key factor in determining the level of Strategy Reserve to be built up to fund the Authority’s approach to covering the costs arising out of the future development and planning for post 2027 waste disposal arrangements.
The Authority remains confident in future years that there is a clear strategy in continuing to deliver its vision to provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value.

9. **Relevant officer:**

9.1 Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 8708 3813 and Andrew Lappage, Managing Director / 020 8724 5614 / e-mail: andrew.lappage@eastlondonwaste.gov.uk

10. **Appendices attached:**

10.1 Appendix A: Budget Monitoring Statement to 31 March 2019

11. **Background papers:**

11.1 05 February 2018 Revenue & Capital Estimates and Levy 2018/19 Report & Minute No.9/2018

12. **Legal considerations:**

12.1 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 D2, ELWA 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.

13. **Financial considerations:**

13.1 As outlined in the main body of the report.

14. **Performance management considerations:**

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

15. **Risk management considerations:**

15.1 ELWA has regularly reviewed strategic and operational risks throughout the year, assessing and adjusting for financial implications as they arise. The agreed strategy is to continue to build up the Strategy Reserve in future years recognising the costs associated with planning and development of post 2027 waste disposal arrangements.

16. **Equalities considerations:**

16.1 None.

17. **Follow-up reports:**

17.1 None.

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

18.1 https://eastlondonwaste.gov.uk/

19. **Glossary:**

ELWA / the Authority = East London Waste Authority

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

IWMS = Integrated Waste Management Services Contract
RRC = Reuse and Recycling Centre
The Operator = Renewi UK Services Limited (formerly Shanks Waste Management Ltd)

20. **Reviewed by Management Board**

20.1 14 June 2019.

21. **Confidentiality:**

21.1 Not Applicable.
## BUDGET MONITORING STATEMENT TO 31 MARCH 2019

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<th>Outturn Variance to 31/03/19</th>
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AUTHORITY REPORT: ANNUAL GOVERNANCE STATEMENT 2018/19

1. Confidential Report:

1.1 No.

2. Recommendation:

2.1 Members are asked to:

   a) approve the Annual Governance Statement 2018/19; and
   b) note that the Annual Governance Statement forms part of the approval of the Statement of Accounts for 2018/19.

3. Purpose

3.1 This report sets out the draft Annual Governance Statement for 2018/19 as required by the Accounts and Audit Regulations 2015 in accordance with the CIPFA / Solace joint publication ‘Delivering Good Governance in Local Government’ (2016).

4. Background

4.1 It is required that the East Waste London Authority (ELWA) prepares an Annual Governance Statement and has it approved at an Authority meeting. The statement must be signed by the Chair and Managing Director prior to the signing of the accounts.

4.2 The statement covers both the Authority’s governance arrangements and internal control issues. This statement should enable stakeholders to have substantial assurance that decisions are properly made and public money is being properly spent on citizens’ behalf.

4.3 The statement sets out the systems and processes, culture and values by which the Authority and its activities are directed, governed and controlled, and through which it accounts to and engages with the community. An effective governance framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

5. Annual Governance Statement 2018/19

5.1 The Annual Governance Statement is attached in Appendix A and was signed off on 29 May 2019. There are no matters of concern identified within the statement to bring to Members’ attention in this report. Governance arrangements and internal controls have been in place throughout 2018/19 in accordance with the Authority’s governance framework and in accordance with the CIPFA / Solace joint publication ‘Delivering Good Governance in Local Government’ (2016). The action plan contained within the Statement includes the following two areas to develop further during 2019/20:

   a) Contract management; and
   b) Management of Automatic Number Plate Recognition (ANPR) systems.

6. Conclusion:

6.1 ELWA’s Annual Governance Statement has been prepared and signed off in accordance with regulations. There are no matters of concern identified in relation to governance arrangements and internal control issues.

7. Relevant officer:

7.1 Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 870 83813
8. Appendices attached:
8.1 Appendix A: Annual Governance Statement 2018/19

9. Background papers:
9.1 28/06/19 Final Financial Outturn Position and Contract Monitoring Review for the year 2018/19

10. Legal considerations:
10.1 The Local Audit and Accountability Act 2014 (the ‘2014 Act’) requires that the Authority as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the ‘Regulations’). Regulation 9 sets out a timetable and requires certification by the Authority’s responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation. Furthermore, specified relevant local authorities\(^1\) are required under Regulation 6(1) (b) to prepare an Annual Governance Statement (‘AGS’).

Governance is defined by CIPFA / SOLACE\(^2\) as:

The arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

and

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

10.2 The Regulations require the AGS be approved by a resolution of a Committee of the Authority. Following approval the Authority must publish the Statement of Accounts, the AGS as approved and a narrative statement on the Authority’s financial performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.

11. Financial considerations:
11.1 None.

12. Performance management considerations:
12.1 None.

13. Risk management considerations:
13.1 None.

14. Equalities considerations:
14.1 None.

15. Follow-up reports:
15.1 None.

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\(^1\) See Section 2 and Schedule 2 of the Accounts and Audit Regulations 2015

\(^2\) CIPFA SOLACE Delivering Good Governance in Local Government Framework 2016 Edition
16. Websites and e-mail links for further information:

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

17. Reviewed by Management Board:

17.1 14 June 2019.

18. Confidentiality:

18.1 Not Applicable.
ANNUAL GOVERNANCE STATEMENT

1. Introduction

1.1 Each year the East London Waste Authority (Authority) is required by regulation to produce a statement that details the framework for making decisions and controlling the resources of the Authority. The statement covers the Authority’s governance arrangements as well as internal control issues. This statement should enable stakeholders to have substantial assurance that decisions are properly made and public money is being properly spent on citizens’ behalf. The statement below complies with the Accounts and Audit Regulations 2015.

2. Scope of Responsibility

2.1 The Authority is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

2.2 In discharging these obligations, the Authority is required by Regulation 5 of the Accounts and Audit Regulations 2015 to put in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk and evaluating the effectiveness of the Authority's overall governance and risk management arrangements, by taking into account public sector auditing standards.

3. The Purpose of the Governance Framework

3.1 The Governance Framework comprises the systems and processes, culture and values, by which the Authority and its activities are directed, governed and controlled, and through which it accounts to and engages with the community. An effective governance framework enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

3.2 The system of internal control is a significant and ongoing part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks connected with failure to achieve policies, aims and objectives, but effective internal systems of control can provide substantial, albeit not absolute assurance, of the effectiveness of the Authority’s policies, aims and objectives. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3.3 The Authority’s governance framework is established through its systems, processes, cultures and values. Its systems and controls are regularly reviewed to reflect changing needs.

4. Vision and Purpose

4.1 The Authority is responsible for the disposal of waste collected by the London Boroughs of Barking and Dagenham, Havering, Newham and Redbridge. The boroughs have a combined population of approximately 1.1 million people living in over 430,000 households, and each is responsible for the collection of household waste in their areas for disposal by the Authority in total over 445,000 tonnes per annum.
East London Waste Authority
24 June 2019

Agenda Item 8 - Appendix A

Statement of Accounts
For the Year Ended 31 March 2019

4.2 The Authority’s Strategy as reviewed in 2006\(^1\) sets out its vision “To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value”. It sets out how the Authority, together with the London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge, intend to manage municipal solid waste by means of a Vision, Objectives and Targets.

4.3 The Authority is working with Constituent Councils to develop a new East London Joint Resources and Waste Strategy to plan for the delivery of services, infrastructure and communication and engagement at the end of the existing Integrated Waste Management Services (IWMS) contract. This will be undertaken in three parts with the initial focus being on forecasting waste arisings and then maximising waste reduction, reuse and recycling. The Authority is also continuing to engage in and monitor the development of proposals and initiatives under the national resources and waste strategy.

4.4 The IWMS Contract, which runs from 2002 to 2027, has a number of requirements designed to implement the original Strategy:

a) The Overall Service Delivery Plan (OSDP) of ELWA Limited is a Plan that covers the 25 years of the Contract. This is a schedule to the Contract and is essentially the operational and technical proposal by the Operator (Renewi UK Services Limited) to meet the Authority’s requirements.

b) The five Year Service Delivery Plan (SDP) follows a similar format to the OSDP but provides a greater level of detail. The first five Year SDP is also a schedule to the Contract.

c) The Annual Budget and Service Delivery Plan (ABSDP) follows a similar format to the other SDPs but provide a greater level of detail, particularly in respect of financial matters. The ABSDP is considered prior to the commencement of the relevant financial year to which it relates. This ensures that the levy report in February takes the ABSDP into account and can fully reflect the likely expenditure commitments arising from the Contract. The ABSDP process also affords an opportunity for the Constituent Councils to provide input into the proposed plans to take account of any planned service changes or requirements in the coming financial year.

4.5 In some cases the Authority can apply various penalties under its IWMS contract if these Plans, once approved, are not adhered to and met. In exceptional circumstances, the Authority could terminate the Contract.

4.6 It is recognised that the Authority cannot achieve its vision alone. It needs to work in partnership with its four Constituent Councils, other agencies and the community to make this happen.

5. **Performance Management and Reporting**

5.1 The performance management framework demonstrates how effective the actions being taken are and assists in monitoring progress in the way in which the Authority’s strategies are translated into action plans. It also helps to identify if any risks are materialising when indicators do not show the level of progression anticipated.

5.2 The performance management framework is therefore instrumental in identifying and mapping continuous improvement of services across the Authority.

5.3 The fundamentals of contractual performance management are embedded in the way the Authority operates. There is:

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\(^1\) See: [http://eastlondonwaste.gov.uk/minutes/east_london_waste_authority_strategy.pdf](http://eastlondonwaste.gov.uk/minutes/east_london_waste_authority_strategy.pdf)
a) A corporately defined process that ensures that plans are linked to strategic aims and that performance statements and other published information are accurate and reliable;

b) Mechanisms whereby performance is discussed and reported throughout all levels of the organisation and those of its partners, in particular to Members and Officers in Authority meetings, Management Board, Operational Management Team and Contract Monitoring Group. Such performance reporting includes not only regular financial monitoring and contract monitoring but also progress on the contract review and achievement of efficiencies.

6. Authority Constitution

6.1 The Constitution sets out the governance and decision-making arrangements of the Authority, including the roles and responsibilities of Members and Officers. It provides details of how decisions are made and who can make them. It also contains the rules for managing our finances and resources effectively.

6.2 A comprehensive update of the Constitution was undertaken in 2018/19 and presented to the Authority meeting in February 2019. The Constitution includes a clear reference to the scheme of delegation, which outlines who is authorised to make particular decisions and the remit of those decisions. In addition, clear rules regarding contractual and tendering matters and dealings with land are outlined within the Constitution. Alongside these are financial regulations relating to income and expenditure and financial authority limits.

7. Codes of Conduct

7.1 The Constitution (Part E) deals with the Codes of Conduct for Members and Employees. The Authority is not required to adopt a statutory Code of Conduct for its Members as it is not a ‘relevant authority’ as defined by the by the Localism Act 2011. Therefore, the Authority’s Members are bound by their respective Council Codes when acting in their official capacity for the Authority. Copies of each Constituent Council’s Members’ Code of Conduct are available on the respective Councils’ websites.

8. Risk Management

8.1 The Authority has embedded risk management processes throughout its structure. The Corporate Risk Register which deals with both strategic and operational risks is agreed and reviewed by the Management Board and Authority Members on a regular basis.

8.2 Financial, operational and legal risks are embedded within individual reports that are presented at Authority meetings.

8.3 Risk identification and management processes are also in place for projects, partnerships and contracts.

9. Compliance with Policies, Laws and Regulations

9.1 The Constitution sets out the legal framework for making decisions and publishing them. The Authority has the following statutory officers: Head of Paid Service – Managing Director; Section 73 officer (Local Government Act 1985); and Monitoring Officer – Legal Adviser, each of whom has the power to refer matters to the Authority where a breach of regulation is possible or suspected. These officers form part of the Management Board. None of these officers have been required to use these powers during the year.

9.2 The statutory officers also provide professional advice on all key decision-making reports to ensure all relevant legal, financial, risk management, procedural and equality implications are addressed.
10. **Counter Fraud including Whistle-blowing**

10.1 The Authority has an agreed Anti-Fraud and Corruption Strategy and Whistleblowing procedure embedded in the Constitution. Two key components that support the Strategy are:

a) Whistleblowing arrangements that are available to the general public, employees and contractors. Our Constituent Councils have their own whistleblowing procedures.

b) The provision of anti-fraud guidance, including a Fraud Response Plan, to instil a culture and awareness that fraud will not be tolerated.

10.2 The current website for the Authority has been in place since 2016, following a review and development process. The website is used to engage directly with the community on waste reduction, reuse and recycling and disposal matters.

11. **Complaints Process**

11.1 The Authority has a recognised complaints process and aims to comply and conform to the complaints procedures operating in each of the four Constituent Councils.

11.2 Members also receive enquiries and complaints via their surgeries, walkabouts or by correspondence. The Authority’s Officers support Members in addressing these queries to ensure that the public receive an appropriate answer.

11.3 Members of the public may also complain to the Local Government Ombudsman if a corporate complaint has not been satisfactorily resolved and maladministration could arise. The Authority has had no previous history of any such complaints.

11.4 Complaints are reviewed so that the organisation can identify if there are any trends and issues and, if necessary, put in place changes and improvements to prevent complaints reoccurring.

12. **Training and Development**

12.1 Members receive a briefing to keep them up to date with changes and to supplement training received via their Constituent Councils. This is supplemented by formal and informal information about the Authority through briefings, workshops and conferences where necessary.

12.2 Training and development of staff continues via professional associations, committee reports, conferences, seminars, courses run by Constituent Councils, on-line tuition and bespoke courses and liaison with the appropriate central government department. These are related to the demands of new legislation and operational practices.

13. **Communication and Engagement**

13.1 The Authority has a responsibility to communicate how to access basic services and information. The Authority’s primary communication methods are comprehensive reporting, its website and briefings for Constituent Councils. In addition, the Authority employs the IWMS contractor to provide a waste education programme for local schools.

14. **Partnerships**

14.1 The most significant partnerships for the Authority are with its four Constituent Councils and through the IWMS Contract with Renwei UK Services Limited and John Laing Investments Limited that make up ELWA Limited.

14.2 There are sound governance arrangements in place for partnerships. These are implemented via regular formal meetings with Renwei UK Services Limited and include those with ELWA Limited. There are also regular formal meetings with the Constituent
Councils including those at the Management Board, Operational Management Team and Contract Monitoring Group.

15. Review of Effectiveness

15.1 The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control, albeit that this is undertaken as an ongoing process. The Managing Director has the responsibility for the maintenance and development of the internal control environment. The framework for this is in the Constitution and support is provided by the regular review processes carried out by Internal Audit, External Audit and other review agencies.

15.2 The five yearly and annual processes, conducted within a formal framework provided by the IWMS Contract, enforce a disciplined review of objectives and effectiveness. Actions required are set out in sections 19 and 20 of this Statement. Overall, the governance arrangements are regarded as fit for purpose in accordance with the Authority’s governance framework.

16. Role of the Finance Director

16.1 The Chief Finance Officer (CFO) fulfils the statutory requirements of the Local Government Act 1985 and is the organisation’s senior executive charged with leading and directing financial strategy and administration and assisting the Head of Paid Service to discharge their corporate responsibilities. This is a pivotal role, both for external stakeholders and within the Management Board. At the Authority, this role is held by the Finance Director. The Authority fully complies with the governance requirements and principles as set out in the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

17. Internal Audit

17.1 Internal Audit and External Audit operate a joint working arrangement to maximise the effectiveness of the audit scrutiny of the Authority. An effective Internal Audit function is a core part of the Authority’s arrangements to ensure the proper conduct of its financial affairs. Internal Audit priorities are risk based and agreed with the Section 73 Officer, following consultation with the Management Board and External Audit as part of the annual planning process.

17.2 The Senior Internal Audit Manager for the London Borough of Redbridge is authorised to complete a programme of audit reviews within the Authority. To assist in the accomplishment of this programme, the Financial Regulations of the Authority give authority for Internal Auditors to have full, free and unrestricted access to all Authority assets, records, documents, correspondence and personnel for the purposes of that audit. Recommendations arising from the work of both internal and external auditors are discussed and agreed with management, including acceptable timescales for their implementation. The Senior Internal Audit Manager for the London Borough of Redbridge reports on the outcomes of the annual programme of audit work to Members and management.

17.3 Based upon the audit work undertaken during 2018/19, Internal Audit has reached the opinion that the Authority’s overall control framework is generally sound, the core financial systems continue to operate effectively, there is a proactive approach to risk and there are no fundamental breakdowns in control resulting in material discrepancy. There was no reported fraud or irregularity during the year.

18. External Audit

18.1 The Authority’s External Auditor is Ernst & Young (EY). EY has an annual audit plan in place that is risk based and focuses on undertaking areas of work that enables them to
fulfil their duties in providing an opinion on the Authority’s financial statements and whether or not ELWA has sound arrangements in place to deliver value for money. This value for money conclusion is based on the overall evaluation criterion, that “in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”. “Proper arrangements” comprise the Authority’s arrangements to take informed decisions, deploy resources sustainably and work with partners and other third parties.

19. Governance and internal control issues requiring improvement and outcome of 2017/18 action plan

19.1 There were two key areas for development identified in the 2017/18 Annual Governance Statement. Progress against these areas is detailed below.

Contract Monitoring Performance with Constituent Councils and with the Contractor

19.2 During 2018/19, there has been some improvement in the consistency and standard of contract monitoring information provided by the Constituent Councils. However, there remains scope to further improve the standard and consistency of the completion of contract monitoring proformas by the Constituent Councils. Progress will continue to be monitored throughout 2019/20.

19.3 Health and safety arrangements are in place which minimise the majority of identified risks, however there remain specific issues of concern at reuse and recycling centres which could pose a health and safety risk. The recommendation made in 2017/18 to implement a relevant maintenance programme has been dealt with through the Operator making regular plant inspections and undertaking repairs as necessary. This action will be reviewed as part of the follow up of the internal audit of contract monitoring during 2019/20 as it is an ongoing matter.

Corporate Governance – Business Continuity

19.4 Business continuity arrangements have been reviewed and a revised framework put in place, which is being embedded throughout the Authority’s operations. Controls are in place across all areas although there remains scope to strengthen some existing controls, in particular in relation to the support boroughs’ contingency arrangements to ensure the continuity of the systems they operate on behalf of ELWA.

19.5 The risk management system has been reviewed and a revised framework put in place which describes the Authority’s risk appetite. The system could be further improved by the inclusion in risk registers of an action plan detailing responsible officers and target dates.

19.6 During 2018/19, a comprehensive update of the Constitution was undertaken and details of significant changes were reported to the Authority meeting in February 2019. The document, which is now being finalised with minor changes and corrections, clearly states the date of review.
20. **Annual Governance Statement Action Plan 2018/19**

20.1 The governance issues arising from the review of the effectiveness of the Authority’s governance framework for 2018/19 are detailed below:

<table>
<thead>
<tr>
<th>Number</th>
<th>Area to Develop</th>
<th>Ongoing Action</th>
<th>Target Date</th>
<th>Lead Officer</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Contract Management</td>
<td>The reduction in the number of inspections of key sites undertaken by Constituent Councils should be highlighted, proactively reviewed and escalated if necessary.</td>
<td>31 March 2020</td>
<td>Contract Manager</td>
</tr>
<tr>
<td>2</td>
<td>Management of Automatic Number Plate Recognition (ANPR) Systems</td>
<td>Systems for monitoring and managing frequent site users should be strengthened.</td>
<td>31 March 2020</td>
<td>Managing Director</td>
</tr>
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Signed:

Andrew Lappage (Managing Director) Date:

Cllr. Osman Dervish (Chair) Date:
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AUTHORITY REPORT: STATEMENT OF ACCOUNTS AND AUDIT RESULTS REPORT 2018/19

1. Confidential Report
1.1 No.

2. Recommendation:
2.1 Members are asked to;
   a) receive the Audit Results Report 2018/19;
   b) approve the audited Statement of Accounts for the financial year 2018/19; and
   c) authorise the Finance Director to sign the letter of representation on behalf of the Authority.

3. Purpose
3.1 The Statement of Accounts presents the financial position of the Authority for 2018/19. The Authority’s Members approve the Statement of Accounts and consider the external auditors’ Audit Results Report.

4. Background
4.1 For the financial year 2018/19, the Accounts and Audit (England) Regulations 2015 places a requirement on the Authority for the draft Statement of Accounts to be prepared and signed by the Finance Director by 31 May and for the audited Statement of Accounts to be approved by the Authority’s members and published by 31 July.

4.2 Under International Standard on Auditing (ISA 260), the auditors are required to communicate to ‘those charged with governance’, being the Authority’s members, any misstatements and omissions in the accounts (other than those that are clearly trivial) that have been adjusted and those that have been advised to officers but not adjusted for. The report, attached at Appendix A, summarises the main audit findings and recommendations arising from the 2018/19 audit. It also reports on work undertaken relating to the use of resources, internal controls and risk of fraud.

4.3 The Council is required to make certain representations to the auditors in connection with their audit of the statement of accounts. The Authority is required to confirm its agreement to the letter of representation being signed by the Director of Finance on behalf of the Authority.

5.1 It is expected that the external auditors, Ernst and Young, will give an unqualified opinion and certificate on the Statement of Accounts and will conclude that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019. The draft Statement of Accounts is available on the ELWA website https://eastlondonwaste.gov.uk/publications-and-reports/. The final version will be circulated in advance of the meeting.

5.2 The 2018/19 financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

5.3 Members are reminded that it is the responsibility of the ‘responsible financial officer’ to sign and date the Statement of Accounts and certify that it presents a true and fair view of the
5.4 The Accounts and Audit (England) Regulations 2015 require that the Authority must approve the audited Statement of Accounts and Annual Governance Statement no later than 31 July in the financial year immediately following the financial year of the Statement of Accounts. The Annual Governance Statement is presented for approval elsewhere on the agenda.

5.5 The draft Statement of Accounts and Annual Governance Statement have been signed off by the Director of Finance and the Managing Director / Chairman respectively. Members are therefore asked to approve the audited Statement of Accounts, which is in advance of the deadline of 31 July.

5.6 The financial position as outlined in the Statement of Accounts is the same as the Final Financial Outturn Position and Contract Monitoring Review for the year 2018/19 presented elsewhere on the agenda.

6. Auditors’ Attendance

6.1 The Statement of Accounts has been subject to audit by the Authority’s external auditors, Ernst and Young. Ernst and Young are expected to issue an unqualified audit opinion on the financial statements of the Authority and on its arrangements to secure economy, efficiency and effectiveness in the use of its resources.

6.2 It is a requirement that following the audit the external auditors will provide a report to the Authority – the Audit Results Report (ISA 260) which reports significant findings from the audit prior to giving the audit opinion. The auditors will attend the meeting to present their report and answer questions.

7. Letter of Representation

7.1 Each year a letter of representation is required to be provided to the auditors in respect of the audit of the accounts. The draft letter sets out the responsibilities for the preparation of the Authority’s Financial Statements and the basis of the representations made. The draft letter of representation is attached at Appendix C.

8. Conclusion

8.1 The audit of ELWA’s accounts has been completed in advance of the 31 July deadline. There is expected to be an unqualified opinion.

9. Relevant officer:

Maria G. Christofi, Finance Director / e-mail: finance@eastlondonwaste.gov.uk / 020 870 83813

10. Appendices attached:

10.1 Appendix A: Audit Results Report 2018/19 (to follow)


10.3 Appendix C: Letter of Representation (to follow)

11. Background papers:

28/06/19 – Final Financial Outturn Position and Contract Monitoring Review for the year 2018/19
12. **Legal considerations:**

12.1 The Local Audit and Accountability Act 2014 (the ‘2014 Act’) requires that the Authority as a relevant body must have its accounts audited. The procedure is set out in the Accounts and Audit Regulations 2015 (the ‘Regulations’). Regulation 9 sets out a timetable and requires certification by the Authority’s responsible finance officer of the statement and then consideration by a committee to consider the statement and approve by resolution. This report is prepared in compliance with that obligation.

12.2 Following approval the Authority must publish no later than 31 July 2019 the statement of accounts, the Annual Governance Statement as approved and a narrative statement by the Authority on its financial performance, and economy, efficiency and effectiveness in the use of its resources over the financial year.

13. **Financial considerations:**

13.1 The Statement of Accounts sets out the Authority’s financial position as at 31 March 2019 and its income and expenditure for the year then ended.

14. **Performance management considerations:**

14.1 The Statement of Accounts demonstrates how the Authority has managed its financial performance during 2018/19.

15. **Risk management considerations:**

15.1 None.

16. **Equalities considerations:**

16.1 None.

17. **Follow-up reports:**

17.1 None.

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

18.1 [https://eastlondonwaste.gov.uk/meetings/](https://eastlondonwaste.gov.uk/meetings/)

19. **Reviewed by Management Board**


20. **Confidentiality:**

20.1 Not Applicable.
AUTHORITY REPORT:  TREASURY MANAGEMENT OUTTURN 2018/19

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 2018/19 Strategy was agreed in February 2018 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 of 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 includes Treasury Management indicators.

3.4 Both Codes were updated during 2017 and this report complies with the requirements of these versions currently in force. Any amendments to the Codes will be addressed as part of the mid-year treasury management strategy review.

3.5 This report is presenting to Members the Treasury Outturn for 2018/19 and covers all borrowing and investment activities undertaken during the last financial year.

4. Outturn Portfolio Position

The Economy and Interest Rates

4.1 After weak economic growth in calendar quarter one of 2018, growth picked up to 0.4% in quarter two and to a particularly strong 0.7% in quarter three, before cooling off to 0.2% in the final quarter. Given all the uncertainties over Brexit, this weak growth in the final quarter was as to be expected. CPI inflation has been on a falling trend since peaking at 3.1% in November 2017, reaching a new low of 1.8% in January 2019 before rising marginally to 1.9% in February. However, in the February 2019 Bank of England Inflation Report, the forecast for inflation over both the two and three year time horizons remained marginally above the MPC’s target of 2%.

4.2 After the Monetary Policy Committee (MPC) raised the Bank Rate from 0.5% to 0.75% in August 2018, they have abstained from any further increases since then. It is unlikely that the MPC will take further action until the uncertainties over Brexit are resolved.

4.3 PWLB rates continued to increase in the first half of the year and peaked during October 2018. However, as the outlook for world growth began to weaken, gilt yields have fallen.
PWLB rates were then on a general downward trend in most cases reaching lows for the year at the end of March 2019.

**Investments**

4.4 The Authority is required to produce an Annual Investment Strategy that sets out the Authority’s policies for managing its investments. This was approved by Members as part of the Treasury Management Strategy at the Authority meeting in February 2018.

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 which 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 2019 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31/03/18 £m</th>
<th>31/03/19 £m</th>
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</thead>
<tbody>
<tr>
<td>Long Term</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Short Term</td>
<td>14.762</td>
<td>20.924</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.762</strong></td>
<td><strong>20.924</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.

**External Borrowing**

4.9 The total borrowing at 31 March 2019 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.

4.10 The external borrowing position is summarised below:

<table>
<thead>
<tr>
<th></th>
<th>31/03/18 £m</th>
<th>Average Rate</th>
<th>31/03/19 £m</th>
<th>Average Rate</th>
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<tbody>
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<td>Public Works Loans Board</td>
<td>1.250</td>
<td>10.02%</td>
<td>1.250</td>
<td>10.02%</td>
</tr>
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</table>

4.11 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 2018 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
East London Waste Authority

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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 2018/19.

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 2018/19.

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 2018/19

7.1 There was no capital expenditure in 2018/19.

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 2018, Prudential Indicators for 2018/19 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" at Appendix A shows that the PFI finance lease balance of £62.395m 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**
   


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 The main objective of the investment strategy is the security of investments.

17. **Equalities considerations:**
   
   17.1 None.

18. **Follow-up Reports**
   

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

20. **Glossary**
   
   20.1 CIPFA – Chartered Institute of Public Finance and Accountancy

   20.2 ELWA – East London Waste Authority

   20.3 PFI – Private Finance Initiative

   20.4 PWLB – Public Works Loans Board

21. **Reviewed by Management Board**
   
   21.1 Not applicable.

22. **Confidentiality**
   
   22.1 Not applicable.
**TREASURY MANAGEMENT PRUDENTIAL INDICATORS - 2018/19 OUTTURN**

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<th>Authorised Limit for External Debt</th>
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<td>Other Long Term Liabilities</td>
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<td>TOTAL</td>
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<tr>
<td>TOTAL</td>
<td>85.700</td>
<td>67.829</td>
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ELWA has adopted the CIPFA code of Practice in Treasury Management in the Public Services as part of its Financial Standing Orders.

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<th>Upper Limits on Interest Rate Exposure (based on net principal outstanding)</th>
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<td>Variable Rate - Investments</td>
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**Projected borrowing at fixed rates maturing in each period as percentage of total projected borrowing at fixed rates**

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<tr>
<td>12 months and within 2 years</td>
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<tr>
<td>2 years and within 5 years</td>
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<tr>
<td>5 years and within 10 years</td>
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<tr>
<td>10 and within 20 years</td>
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<tr>
<td>20 years and within 35 years</td>
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<td>35 years to 50 years</td>
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</table>

<table>
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AUTHORITY REPORT: INTERNAL AUDIT PROGRESS REPORT 2018/19, AUDIT PLAN 2019/20 AND PLANNED AUDIT COVERAGE TO MARCH 2024

1. Confidential Report:
1.1 No.

2. Recommendation:
2.1 Members are asked to:
   a) note the audit coverage for 2018/19 as outlined in Section 5;
   b) agree the audit coverage for 2019/20 as outlined in Section 6; and
   c) agree the Five-Year Strategic Plan set out in Appendix A.

3. Purpose
3.1 To advise Members of the progress of Internal Audit coverage and findings arising during 2018/19.
3.2 To seek Members’ comments and agreement to the proposed Internal Audit Plan for 2019/20 and the five-year rolling programme attached at Appendix A.

4. Background
4.1 The objective and responsibility of the Internal Audit function is to provide Members and management with an independent view and assurance concerning the robustness of the systems and procedures within East London Waste Authority (ELWA / the Authority) and in particular, the effective management of the contract with ELWA Ltd, operated by Renewi, thereby safeguarding assets from fraud and wastage. Internal Audit coverage has and will continue to concentrate on reviewing systems and procedures within ELWA to ensure the effective management of the contract.
4.2 The Internal Audit plan was agreed on 29 June 2018. The purpose of the strategic plan is to ensure total audit coverage of the key systems / areas of activity within ELWA’s unique operational environment. It is intended to fulfil this responsibility by working in conjunction with the External Auditor and aims to avoid any duplication of audit effort.
4.3 The Internal Audit function is provided by the London Borough of Redbridge (LBR) who report directly to the Finance Director, ELWA, who in turn subsequently reports on Audit matters to the Authority.

5. Current Position

Internal Audit Coverage - 2018/19

5.1 The primary focus of Internal Audit activity during the year has been to undertake the planned reviews of Contract Management, Automatic Number Plate Recognition (ANPR) and Risk Assessment and Business Continuity Planning. From these we found that ELWA’s contract monitoring arrangements for the Integrated Waste Management Strategy (IWMS) Contract have continued to evolve as it again looks to maximise the effectiveness of the
delivery of the contract and the prevention of non-contract waste being accepted. The internal changes within each of the Constituent Councils have continued to impact upon the monitoring programmes each of the councils had agreed with ELWA and, additionally, ELWA itself has undergone changes to its staffing structure and personnel which have affected the monitoring carried out by ELWA.

5.2 Normally areas such as the contractor’s on-site health & safety arrangements are undertaken as separate audits; however, this was covered within this year’s contract monitoring review. The audit reviewed the monitoring and reporting undertaken by the Constituent Councils, Renewi’s monitoring of turnaround times and any subsequent performance deductions, the effectiveness of the controls for the prevention of non-contract waste, contract payments and, for the first time, the arrangements for undertaking and monitoring the duty of care audits of Renewi’s off-takers. The audit of Contract Management has been finalised and an action plan has been agreed to implement the recommendations made.

5.3 A full audit was undertaken of the Automatic Number Plate Recognition (ANPR) system that considered the implementation of recommendations (from the post-implementation review) and the current performance of the controls in place.

5.4 The audit looked at the effectiveness of controls and the accuracy of the system on site, access to the SNAP system and data protection. The audit has been finalised and an action plan agreed.

5.5 The audit of Risk Assessment & Business Continuity Planning focused on ELWA’s proactive arrangements for changing financial markets, the potential impact of Brexit and the preparation for the new IWMS contract. The review also looked at the risk management framework, business continuity planning and the controls in place for mitigating the risks at the closed landfill sites. The audit of Internal Control has been finalised and an action plan agreed.

5.6 Based upon the audit work undertaken during 2018/19, Internal Audit has reached the opinion that the systems and controls for processing waste and the identification of any associated anomalies are generally sound, although the conscious decision not to undertake site inspections and reviews of the monitoring carried out by the Constituent Councils and Renewi for a period of time was noted. The challenge of ensuring that the ANPR system is fully effective will continue to be an area where effective management will be required to ensure that data reported is accurate and residents’ complaints are kept to a minimum. It should also be noted that there has been no reported fraud or irregularity during the year.

5.7 All systems of control seek to strike a balance between the cost of control and the potential impact e.g. financial loss, of any given risk. It is therefore not possible or practical to provide absolute assurance that a system of control will guard against all risks and their potential impacts. Internal Audit therefore sets out to provide a reasonable level of assurance and the contents of this statement should be taken in this context.

5.8 The main findings of the audits undertaken during 2018/19 are set out in further detail below.
Audit of Contract Management

5.9 After operating with an Interim Managing Director for almost a year and the retirement of the Contract Manager, new permanent appointments had been made to both positions as well as appointing to the role of Assistant Contract Manager (ACM). All of which occurred following last year’s audit of contract monitoring. Management took the conscious decision not to carry out some of their own regular monitoring inspections and checks during this period of change, as officers adapted to their new roles.

5.10 This meant that no inspection visits were undertaken to the key facilities or the RRC sites during the financial year to date, although officers did attend the sites for operational reasons and any weaknesses identified during those visits were reported to Renewi. Additionally, no checks were undertaken of the monitoring carried out by the Constituent Councils and by Renewi, or the checks for abnormal weights. However, regular contract meetings were held with the Constituent Councils and Renewi where any deficiencies in contract delivery were raised and discussed. At the time of reporting in January, site visits and checks were in the process of being re-introduced.

5.11 The service level agreements with each of the Constituent Councils should reflect their individual pressures and requirements, although these have become more generic and less specific around the types of monitoring. The standard proforma that the Constituent Councils complete monthly provides information on their monitoring activities but findings identified issues across the board regarding reporting and the resources utilised for monitoring. The Constituent Councils had each carried out the inspection of 15% of tip tickets monthly as specified in the Service Level Agreements.

5.12 Renewi had not provided the self-monitoring reports showing their compliance with the contract performance standards and these were not chased up although the ELWA Contract Manager advised that any issues relating to these performance standards would be discussed at regular meetings with Renewi staff and Constituent Council Monitoring Officers. Renewi did report on vehicle turnaround times and the associated penalties and disregards were calculated and deducted from the invoices. ELWA officers’ checks identified an error in relation to the uplift rate, to be corrected as part of the year-end reconciliation.

5.13 We accompanied ELWA and Renewi on their duty of care audits to two of their off-takers’ premises and observed that the site inspections were effective. The Annual Budget & Service Delivery Plan (ABSDP) requires that Renewi undertakes duty of care audits to all off-takers reprocessing more than 1,000 tonnes per annum but we found ELWA had not been systematically checking this for compliance.

5.14 ELWA’s processes for agreeing the monthly invoice were effective and the correct amounts were paid for the periods checked.

5.15 Site visits found that the majority of the weaknesses regarding on-site health & safety raised at last year’s audit had been addressed but issues were still noted around some of the layout and lane markings, the weathering of high-vis paint and incorrect signage. The sites were generally clean, regularly swept and free from clutter except for mattresses for recycling that caused on-site storage and, potentially, health & safety problems.

5.16 Regular management information was produced internally and by Renewi. Performance indicators were produced for tonnages recycled, diverted from landfill and sent to landfill as well as materials information.
5.17 This audit received reasonable assurance having considered the findings from the review and the changes ELWA were undergoing. However, the areas of monitoring that were on hold at the time of audit will need to be reintroduced together with the other issues highlighted. Four amber risk and five green risk recommendations were agreed for implementation with ELWA management. No red risk recommendations were made for this audit.

Audit of ANPR

5.18 Since its introduction in early 2016 the operation of the ANPR system, SNAP, has encountered a number of problems. Initial issues in respect of the system requirements meeting ELWA’s needs and the slow implementation of improvements had resulted in the system not being 100% accurate or reliable. Some of these issues had been addressed but others remained outstanding. No log or record was maintained by Renewi to record and manage faults notified to Precise, the system providers. Discussions with senior officers from ELWA and Renewi confirmed that ANPR is regularly discussed at meetings.

5.19 Testing of image captures confirmed Precise’s claim of 95% accuracy. No such accuracy testing is undertaken by ELWA or Renewi. The positioning of the cameras has helped achieve the high accuracy rate but the close proximity of the camera to the meet and greet at Frizlands, coupled with vehicle speed, often meant vehicles were on site before the alerts were displayed resulting in potential health & safety risks as operatives try to issue letters. Site entrance arrangements will need to be reviewed at Frizlands to see whether this delay can be eradicated. Signage is clear at the RRCs informing visitors that CCTV and ANPR are in operation.

5.20 Renewi manned the meet and greet at all times and undertook residency checks. An authorised vehicle list was maintained in TIMS but the authorised Constituent Council vehicles were not always updated on SNAP therefore not preventing them from being identified as frequent visitors and distorting management information.

5.21 Testing highlighted a number of issues with the escalation of the frequent visitor letters, initially SNAP requiring Renewi or ELWA to manually move a vehicle to the next stage and the change to automatic transfer still resulted in inaccurate alerts being displayed. A training issue relating to when to refuse entry at one site allowed frequent visitors, potentially carrying non-contract waste, to continue to tip. The process by which residents apply to their own council for an extension of allowable visits operated effectively.

5.22 System access has been an issue with SNAP since installation and, during the audit, problems at Jenkins Lane with the site and main servers necessitated in both being turned off for approximately two months. Each council uses their own generic sign-in, meaning individual actions cannot be tied down to a specific person increasing the risk of abuse and reducing the effectiveness of the audit trail.

5.23 On-screen enquiries were used to deal with queries and issues, but greater use of the management information will not happen until data accuracy from SNAP has improved.

5.24 There have been improvements with SNAP but there were still a number of outstanding issues, particularly around system access and accuracy. ELWA, through Renewi, were attempting to ensure that Precise rectified these issues to ensure an effective system is in place and therefore reasonable assurance has been given for this review. Four amber and five green risk recommendations were agreed with ELWA management for implementation. No red risk recommendations were made for this audit.
Audit of Risk Awareness and Business Continuity Planning

5.25 Risk management is central to good governance and the effective strategic management of ELWA. Management have a structured and continuous process in place for identifying, assessing, deciding on responses to and reporting on opportunities and threats that affect the achievement of objectives. A more proactive approach was evident in relation to risk management and business continuity planning, particularly in respect of the closed landfill sites and the monitoring of the financial stability of the contract operator. The risk management and business continuity systems had both been reviewed and revised frameworks put in place.

5.26 Risk assessments were completed for the key areas of operation, and management carry out research of trade websites and have signed up to industry bodies that provide regular commentary, notifications and updates on best practice and issues that affect the waste industry either directly or indirectly. There were no formal comparisons of risks with other waste disposal authorities, although there was evidence of liaison with them.

5.27 Checks were carried out to identify any potential issues surrounding Renewi’s delivery of the IWMS contract. ELWA are members of the Renewi User Group that meets twice a year where the operator’s performance and financial stability are discussed. The annual accounts were obtained and reported to the Authority meeting and the Managing Director attends ELWA Ltd.’s quarterly meetings as an observer, with Cllr Akwaboah being the appointed A-Director. Going forward annual financial checks will be carried out as part of closedown procedures.

5.28 Following uncertainty in areas of the recyclate market and by working with a new off-taker, through Renewi to produce a more marketable product, ELWA has restored their contamination rates to a lower level. Contingency arrangements were in place to cover potential market problems that may arise as a result of Brexit, including working with Renewi to source domestic off-takers for refuse derived fuel and obtaining an agreement from a UK based company to accept ELWA’s waste for landfill disposal, as a last resort.

5.29 The risk management framework has identified all of the key strategic and operational risks, together with the mitigating controls in place. Management also record details of the residual risk and whether or not that risk is to be accepted or reduced further. We feel that implementation of any additional controls would be best managed by the inclusion of an action plan.

5.30 The closed landfill sites, particularly Aveley 1, present a number of challenges to the Authority, especially that of unlawful access. Appropriate signage has been erected and the two operatives on site at Aveley 1 check the perimeter fencing daily and undertake any minor repairs necessary to ensure that the fencing is secure. However, some neighbouring properties have installed gates in their rear fences giving them direct access to ELWA’s land and two others had removed their rear fences, encroached on to the site and excavated part of the bank behind them at Aveley 1. ELWA have contacted some of the residents of these properties instructing them to cease but we feel that all of those with access should be contacted regarding trespass. There are areas of dense foliage on the site, including large trees, some of which appear unsafe. Some cutting back and pollarding has been carried out as well as some trees taken down as a result of observations by the site operatives when inspecting the perimeter, and we recommend that management consider the reintroduction
5.31 There were previously a number of buildings on Aveley 1 and, with the exception of the two cottages, all those that were no longer in use were demolished. Attempts have been made to break-in to the cottages despite additional fencing and deterrents being put in place. Going forward, a plan should be determined for the future use or demolition of these cottages to prevent unauthorised access and potential injury claims.

5.32 Gas and leachate levels are monitored; both are at a safe, very low level and remain stable. An aerator in one of the site lagoons has tilted and partially sunk. There is a risk that this, and any attempt at moving or repair, could damage the lagoon lining that would allow leachate to leak on to the site. Management should consult with specialists as to the best way forward. A number of the concrete rings around the pumps on Aveley 1 did not have covers, creating the risk of personal injury. Enquiries have been made regarding cost of replacement / filling-in so now the best method of making them safe needs to be selected.

5.33 The business continuity plan (BCP) is documented and it includes details of ELWA’s key systems, contacts and partners and the associated risks were ranked. Confirmation has been obtained regarding Renewi’s BCP but no such confirmation had been sought from LBR in respect of Agresso and LBBD regarding Oracle, both of which are key systems for ELWA. Some minor administration issues were reported in the documentation of the plan.

5.34 Management were working on their response to the three key national waste strategy documents currently out for consultation, all of which set out requirements of the waste industry regarding future work practices in order that these strategies can be delivered. This will impact upon the options for the new contract due in 2027. ELWA has been working with Local Partnerships to assist with the procurement of specialist services on the development of the strategy for identifying, analysing and assessing the options for the next IWMS contract.

5.35 There is a proactive approach to risk, and management were actively addressing a number of current risks and seeking to introduce controls to other potential risks. We have highlighted some areas where improvements in existing controls could be introduced and so, overall, we have given reasonable assurance for this audit. Seven green risk recommendations were agreed with ELWA management for implementation. No red or amber risk recommendations were made for this audit.

6. **Internal Audit Coverage for 2019/20**

6.1 The annual plan is structured to adapt to changing circumstances while considering the ongoing strategic implications/risk management issues for the Authority. The annual audit plan is formulated from discussions with the Finance Director/Section 73 Officer and the Managing Director and is based on an annual risk assessment process so that identified concerns are assessed and evaluated to determine the impact on the Authority. The risk assessment process takes into consideration the risks identified in the Authority’s risk register, but also considers other factors such as previous audit findings, materiality, volume and value of transactions, complexity and stability of systems, contract compliance and level of irregularities. This ensures the plan is responsive to the needs of the Authority and this has been evident in the last year with the inclusion of topics, including foreign markets, potential disposal issues following Brexit and early preparation for the replacement IWMS contract, areas that have not been previously reviewed. Based on Internal Audit’s previous
work, foremost amongst those aspects, which need to be regularly reviewed, are the arrangements for the management and monitoring of the IWMS contract.

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

6.3 The area of focus for 2019/20 will be contract management. It is intended to undertake three audits within this area in the coming year. The principal audit will focus on the core monitoring arrangements and the controls to keep non-contract waste to a minimum.

6.4 The other audits will include an audit of weighbridge controls, which will look at the controls in place to ensure that waste tipped is recorded accurately, and, as specifically requested by the Managing Director, the third audit will be a review of the accounting for non-household waste. This final audit replaces the scheduled review of asset management, which had been scheduled for 2019/20 in previous years’ strategic plans but the main focus of the asset management reviews, the closed landfill sites, have been considered in-depth during the audit of risk assessment and business continuity planning carried out this year, 2018/19.

6.5 It is also intended to continue to carry out follow up work to ensure that actions agreed by management have been implemented and to seek explanations where recommendations have not been implemented in the appropriate time scales.

7. Internal Audit Coverage for 2019 - 2024

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

8. Performance and Effectiveness of Internal Audit

8.1 Meeting the requirements of the Accounts & Audit (England) Regulations 2015 provides the necessary assurance to Members and management as to the adequacy of the Internal Audit function. It is important that the effectiveness of the work of Internal Audit is monitored and reported. To do this a range of performance criteria is closely monitored by the Senior Internal Audit Manager throughout the year. During 2015/16 the Internal Audit Service underwent an independent review which concluded that Internal Audit had demonstrated compliance with the more rigorous criteria of the Public Sector Internal Audit Standards (PSIAS) jointly developed by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Institute of Internal Auditors (IIA).

8.2 It is also essential that Internal Audit obtain the views of ELWA regarding the service it delivers and the value it adds to ELWA’s business objectives. At the close of each audit a satisfaction questionnaire, covering key elements of the audit process, is sent to ELWA management for completion and return. The results from these questionnaires have been positive.

8.3 Internal Audit processes and effectiveness are reviewed on a regular basis and have a quality assurance and improvement programme as required by PSIAS. Based upon the experience
of the Internal Audit Section’s advice and performance, external guidance on Internal Audit and the feedback received, it is believed that the Authority has a sound and robust system of Internal Audit, which continues to adapt and respond to the changing needs of the Authority.

9. Conclusions

9.1 Based upon the audit work undertaken during 2018/19, Internal Audit has reached the opinion that the Authority’s overall control framework is generally sound, the core financial systems continue to operate effectively, there is a proactive approach to risk and there are no fundamental breakdowns in control resulting in material discrepancy. This view is re-enforced by the Authority’s External Auditors.

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

10. Relevant officer:

10.1 Aaron Winter / aaron.winter@redbridge.gov.uk / 020 8708 3130

11. Appendices attached:

11.1 Appendix A: Five Year Strategic Plan

12. Background papers:

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

12.2 Internal Audit Report on Contract Monitoring 2018/19

12.3 Internal Audit Report on Automatic Number Plate Recognition 2018/19

12.4 Internal Audit Report on Risk Assessment and Business Continuity Planning 2018/19

13. Legal considerations:

13.1 The Accounts and Audit (England) Regulations 2015 (Regulation 3), requires that the Authority must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.

13.2 Furthermore, the Chief Finance Officer has a statutory duty, under Section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985, to ensure that there are proper arrangements in place to administer ELWA’s financial affairs.
13.3 This report sets out how the audit team contribute to the financial affairs and operational management of the ELWA through their audit and counter fraud activity.

14. **Financial considerations:**
14.1 There are no direct financial implications arising from this report.

15. **Performance management considerations:**
15.1 None.

16. **Risk management considerations:**
16.1 The decision to agree the audit coverage for 2019/20 as outlined in Section 6 should help ensure ELWA’s strategic and operational risks are identified and appropriate control strategies implemented to mitigate these risks.

17. **Equalities considerations:**
17.1 None.

18. **Follow-up reports:**
18.1 None

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

20. **Glossary:**

ELWA/the Authority = East London Waste Authority
CIPFA = Chartered Institute of Public Finance & Accountancy
Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham & Redbridge
IWMS = Integrated Waste Management Strategy
IIA = Institute of Internal Auditors
LBR = London Borough of Redbridge
PSIAS = Public Sector Internal Audit Standards
RRCs = Reuse and Recycling Centres

21. **Reviewed by Management Board**

22. **Confidentiality:**
22.1 None
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## ELWA - 5 year Strategic Plan 2019/20 - 2023/24

### 5 year Audit Plan

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<td>Audits in this area will include Review of Constitution, Contract Rules, Financial Regs, Corporate Governance, Risk assessment and Business Continuity Planning, Anti Fraud Arrangements, any other matters arising (IT / Personnel Issues), it would be intended to cover all the above over a 6 year period.</td>
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<td>Audits in this area will include reviews of ELWA’s Monitoring Arrangements for the contract, Borough’s Monitoring arrangements, Payments to the contractor, Performance Measures, TIM system and the weighbridge. In addition to these audits sample compliance checks on the content within the monthly IWMS contract invoice will be carried out as well as targeted audits focussed at specific areas such as Automatic Number Plate Recognition (ANPR), site Health &amp; Safety and Non-Household Waste Charges. It would be intended to cover all the above over a 5 year period.</td>
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<td>Audits in this area will include reviews of Financial Management of non IWMS contract costs. The audit would be done once over a 4 year period.</td>
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<td>Audits in this area will review the management of the Authorities assets (predominantly the Landfill Sites) and will undertaken once every 5 years.</td>
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AUTHORITY REPORT: DEFRA RESOURCES AND WASTE STRATEGY – SUMMARY OF CONSULTATION RESPONSES

1. Confidential Report:
1.1 No.

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

3. Purpose:
3.1 This report provides a summary of the responses to the four consultations issued by the Government in February 2019, following the publication of the Resources and Waste Strategy (RWS) in December 2018.

3.2 The key areas of interest for ELWA and the Constituent Councils are covered in this report. The full set of consultation responses was e-mailed by the Managing Director, Andrew Lappage, to Members (cc Management Board) on 10 May 2019 at 16:18hrs.

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

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

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

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

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

4.6 The draft responses were circulated to Members on 30 April for comments, with final submission on 10 May.
5. **Summary of Responses**

**Extended Producer Responsibility**

5.1 ELWA has broadly supported the proposals to introduce Extended Producer Responsibility (EPR) for packaging.

5.2 The main principle of EPR is Full Net Cost Recovery (FNCR), which involves producers making sufficient financial contributions to cover the costs of managing packaging waste.

5.3 The proposals for FNCR cover all aspects of collection and treatment for recycling, but the consultation proposals for managing packaging in residual waste suggested that only the disposal costs would be included. ELWA has stated that the collection costs need to be covered as well if FNCR is to be achieved.

5.4 The consultation included outline proposals for categorising local authorities according to three measures of deprivation and three of rurality, thus giving six combinations in total. ELWA has stated that this would not sufficiently capture the differences between local authorities, particularly around issues such as high-density flatted developments.

5.5 The consultation proposed developing reference models for each of the six groupings of local authorities to determine the costs of collection, treatment and disposal. This is on the basis that it may be impractical to take into account each individual authority’s actual costs.

5.6 ELWA has highlighted that many local authorities are in long-term contracts for collection, treatment and disposal, which means that there are going to be differences in unit costs between areas that may not be able to be changed cost-effectively before the contracts have finished. ELWA has argued that actual disposal costs need to be included in the FNCR formula.

5.7 The consultation has indicated that access to FNCR payments could be linked to the scope of service provision, quality of material collected, and performance against targets. ELWA has disagreed with some aspects of this, highlighting that there are inherent differences between local authorities that will make it harder for some (particularly those in dense urban areas) to meet the standards that those in more affluent areas can. ELWA has argued that this needs to be properly taken into account in the FNCR formula, again highlighting the need for more than six groupings for local authorities.

5.8 There is likely to be a further consultation on the FNCR proposals and funding formula, but no timetable has been given for this.

5.9 Two options were put forward in the consultation for how producers would pay their EPR contributions. One involves modulated fees, which would vary according to the recyclability of the packaging type. The other would be a combination of fees for non-recyclable items and reclaimable deposits for those that could be recycled (alongside a separate producer fee that would contribute to FNCR). ELWA has said that both approaches are workable, and noted that both systems would need to be responsive to changing market conditions so as to have the desired effect of encouraging producers to use more recyclable packaging choices.

5.10 There were four proposals within the consultation for how the EPR regime could be governed, including a near-business-as-usual scheme based on the current PRN system, two models that used single central bodies, and a fourth that would allow the deposit-based system to operate.

5.11 ELWA has supported the fourth model on the basis that it would encourage producers to remain engaged in packaging recycling through the need to maximise their ability to reclaim deposits. However, ELWA also noted that its primary concern was that there should be a single point of interface for local authorities, through which FNCR payments could be
5.12 ELWA has supported proposals to increase monitoring and compliance checks on exports of material for recycling, as well as use of treatment and recycling processes abroad.

Consistency

5.13 ELWA has broadly supported the proposals to encourage greater consistency in recycling collections across the country.

5.14 The proposals in this consultation cover material streams that include significant quantities of packaging, as well as those (namely food and garden waste) that would not be affected by the EPR proposals from the other consultation.

5.15 The New Burdens Doctrine outlines how the Government would need to fund any additional costs that local authorities face from the introduction of new statutory responsibilities. However, it should be noted that Government officials have stated that any new burdens associated with the Consistency consultation would be considered as part of a net position for the whole of the Resources and Waste Strategy, referring to it as ‘net new burdens’. As such, any additional costs would first be offset by EPR payments to local authorities, before the Government needed to step in to fund any remaining gaps. For this reason, all relevant proposals have been grouped to take effect from 2023.

5.16 There are proposals to mandate a core group of dry materials for recycling collections, which ELWA has broadly supported but raised concerns about the lack of markets for plastic pots, trays and tubs in particular.

5.17 There are also proposals to require local authorities to move to one of three models of collection as and when contracts allow. These range from a fully source-segregated dry recycling service to a fully commingled service for dry recyclables, with separate food, garden and residual waste collections as standard across all three. ELWA has supported these proposals for kerbside properties.

5.18 It is proposed to require local authorities to introduce separate food waste collections. ELWA has supported this proposal in principle, but highlighted that East London will remain in the IWMS PFI Contract for several years beyond the point this statutory requirement comes into effect. The issue of how to take into account the use of MBT therefore needs to be considered as the treatment process requires some organic waste for the bio-drying activity to take place. ELWA has also highlighted the challenges of providing separate food waste collections for some types of properties, including flats above shops and high-density developments.

5.19 There is a proposal to require at least a fortnightly separate free-of-charge garden waste collection service. ELWA has not supported this proposal, highlighting that the ‘producer pays’ principle should apply here with householders considered to be the producers, rather than all Council Tax payers funding the service. Home composting offers a more sustainable alternative, whilst householders can take garden waste to Reuse & Recycling Centres. If they require a collection, ELWA has stated that it is appropriate that they be asked to pay for that service.

5.20 ELWA has supported Government looking at standardising bin/bag colours for different waste streams, and has suggested that this should be decided upon as soon as possible so as to minimise the number of service changes that take place in the near future that ultimately do not meet any requirements that may come into effect.

5.21 The Government has proposed to introduce statutory guidance on collection service standards, which will include proposals to require residual waste to be collected at least every two weeks. ELWA has objected to this proposal, highlighting that it should be down to local decision-makers to determine the best solutions for their areas. ELWA has also flagged that any such guidance should not be an alternative to introducing statutory
requirements for introducing new services, particularly as the separate EPR consultation has suggested that FNCR payments to local authorities could be linked to meeting these service standards (and by inference only fortnightly residual waste collections might therefore be funded).

5.22 ELWA has supported the proposals to make recycling mandatory for businesses. However, the Authority has argued that the same collection requirements as are proposed for household services need to be applied to businesses as well, in order to encourage high-quality recycling.

Deposit Return Scheme

5.23 ELWA has broadly supported the introduction of a Deposit Return Scheme (DRS), on the basis that it is likely to increase recycling rates overall.

5.24 ELWA has argued that any such scheme needs to be ‘all-in’, rather than the alternative proposal of an ‘on-the-go’ scheme that targets only containers below 750ml. This is so that consumer confusion is minimised, and to avoid having local authority collection schemes and the DRS seemingly competing with one another for similar materials.

5.25 ELWA has argued that all drinks containers should be included, including glass, coffee cups, pouches and sachets. It is likely that a DRS would be more expensive for producers than just the EPR regime, and excluding packaging types that are less recyclable from the DRS could have the unintended effect of driving producers to use those excluded types in order to minimise their DRS costs.

5.26 ELWA has highlighted that the outline design of the DRS does not indicate where local authorities feature, and how they would be able to reclaim FNCR payments for the DRS-target materials they continue to manage through household, commercial and street cleansing services.

5.27 The consultation included possible proposals for how to allocate unredeemed deposits. ELWA has strongly argued against these being returned to Government, and has argued that using them to part-fund the DRS itself could introduce perverse incentives for the scheme to underperform. ELWA has instead suggested that they should be passed to local government to help manage the costs of collecting and treating drinks containers that have not been returned via the DRS.

Plastic Packaging Tax

5.28 The majority of the questions in this consultation were focused on the design and implementation of a tax regime based on the recycled content of plastic packaging, and as such ELWA responded to only those questions that were relevant to local authorities.

5.29 ELWA has supported the introduction of the tax as a means to encourage demand for recycled materials. However, the Authority has highlighted that the tax could be regressive in nature, causing prices to rise for consumers and thus potentially having a greater impact on the most deprived within society.

5.30 ELWA has also highlighted the risk of unintended consequences, as the proposed tax regime does not adequately acknowledge where products are being manufactured with greater than the 30% threshold of recycled content. ELWA has argued that this could result in these products having their recycled content lowered so as to provide material for other products that are currently below the threshold, thus not necessarily creating any more demand for recycled plastics overall.

5.31 ELWA has argued against the proposals to only apply the tax to unfilled packaging being imported, on the basis that this could hurt UK business by encouraging producers to shift manufacturing abroad so that the products are imported filled.
6. **Recommendations**

6.1 It is recommended that Members note the content of the report.

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7. **Relevant officers:**

7.1 Andrew Lappage, Managing Director / e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614; and Jon Hastings, Head of Strategy & Development / 020 8724 3689/ email: jon.hastings@eastlondonwaste.gov.uk

8. **Appendices attached:**

8.1 None

9. **Background papers:**


9.2 10 May 2019 The final ELWA responses to the consultations were emailed to Members (cc’d to Board) by Andrew Lappage on 10 May at 16:18.

10. **Legal considerations:**

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

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

11. **Financial considerations:**

11.1 The proposals within the Strategy, including the possible introduction of an Incineration Tax and the implementation of EPR, may have significant financial implications for the Authority and Constituent Councils which will be assessed as the implications of the proposals become clearer.

12. **Performance management considerations:**

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

13. **Risk management considerations:**

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

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

15. **Follow-up reports:**

15.1 As required.

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

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

16.2 RWS full documentation:


16.3 LES full documentation:

https://www.london.gov.uk/what-we-do/environment/london-environment-strategy

17. **Glossary:**

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

DEFRA = Department for Environment, Food and Rural Affairs

DRS = Deposit Return Scheme

ELWA / the Authority = East London Waste Authority

EPR = Extended Producer Responsibility

FNCR = Full Net Cost Recovery

IWMS = Integrated Waste Management Services contract

LES = London Environment Strategy

MBT = mechanical-biological treatment facilities at Jenkins Lane and Frog Island that process residual waste to recover recyclable materials and produce fuels for subsequent energy recovery

PFI = Private Finance Initiative

PRN = Packaging Recovery Note

RRC = Reuse and Recycling Centre (there are four in East London, located at Jenkins Lane, Chigwell Road, Gerpins Lane and Frizlands Lane)

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

18. **Reviewed by Management Board:**

18.1 14 June 2019.

19. **Confidentiality:**

19.1 Not Applicable.
AUTHORITY REPORT: STRATEGY – PREPARATIONS FOR FUTURE WASTES MANAGEMENT ARRANGEMENTS IN EAST LONDON - UPDATE

1. Confidential Report

1.1 No.

2. Recommendations

2.1 Members are asked to:

   a) note progress on the development of a new strategy;

   b) consider the Aims and Objectives for the East London Joint Resources and Waste Strategy.

3. Purpose

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

4. Background

4.1 Members received a report at the June 2018 AGM, along with a subsequent update at the September 2018 Authority Meeting, setting out the basis and rationale for developing a new joint resources and waste strategy for East London.

4.2 A new Head of Strategy and Development role was subsequently created to lead on this work, with recruitment taking place during the autumn of 2018 and the successful candidate joining ELWA in January 2019.

5. East London Joint Resources and Wastes Strategy

Aims and Objectives

5.1 In order to define the scope of the East London Joint Resources and Wastes Strategy (ELJRWS), a working draft set of Aims and Objectives has been drawn up.

5.2 The draft Aims of the strategy are:

   a) to promote and implement sustainable municipal resources and wastes management policies in East London;

   b) to minimise the overall environmental impacts of resources and wastes management;

   c) to engage residents, community groups, local business and any other interested parties in the development and implementation of the above resources and wastes management policies; and

   d) to provide customer-focused, best value services.

5.3 The draft Objectives of the strategy are:

   a) to minimise the amount of municipal wastes arising;

   b) to maximise recycling and composting rates;

   c) to maximise the diversion of resources and wastes from landfill, particularly organic wastes that would produce greenhouse gases;
d) to co-ordinate and continuously improve municipal wastes minimisation and management policies in East London;

e) to manage municipal wastes in the most environmentally benign and economically efficient ways possible through the provision and co-ordination of appropriate resources and wastes management facilities and services;

f) to ensure that services and information are fully accessible to all members of the community;

g) to maximise all opportunities for local regeneration; and

h) to ensure an equitable distribution of costs, so that those who produce or manage the waste pay for it.

5.4 Members are asked to consider these draft Aims and Objectives.

Strategy Structure

5.5 The scope and scale of the strategy that East London will need to develop means it will be a large and complex piece of work that could take up to 2-3 years to complete. However, it is recognised that the Constituent Councils in particular would benefit from having some certainty over the future design of services at the earliest opportunity, in order to give as much time as possible to consider local procurement strategies for services, fleet, equipment etc.

5.6 The following approach for developing and approving the overall strategy in three parts has therefore been proposed:

Part A: Maximising Waste Reduction, Reuse and Recycling

Part B: Managing Residual Waste

Part C: Delivering Infrastructure

5.7 It is intended that each of these component strategies will be consulted on before going through the requisite processes for formal adoption by ELWA and the Constituent Councils.

5.8 The rationale for this approach is to enable key sections of the strategy to be developed and approved in more manageable stages. In particular, the Part A strategy will include both waste prevention work and the plans for the evolution of reuse and recycling collection services provided by the Constituent Councils; and gaining joint agreement amongst the partners on what those will look like in the future will enable the waste collection authorities to proceed with forming their own long-term service development/procurement plans against an approved strategic backdrop at the earliest possible stage.

5.9 This approach will also ensure that the approval processes for Part A focus on the scope of that strategy, and do not get unduly delayed because of any potentially more difficult or divisive issues related to the provision of waste treatment capacity (which will be handled at Parts B and C).

5.10 The stages of the strategy will follow on from one another, but it will not be necessary to wait for one to be fully completed before the next can begin. As an example, it will become apparent as work on Part A evolves how much residual waste ELWA is likely to need to manage in the future, enabling the preparation work for Part B to begin some time before Part A has been completed, consulted on and adopted.
5.11 Part A of the ELJRWS will incorporate the following:

a) Appraisal of current position, in terms of waste tonnage and composition, household numbers, demographics etc.

b) Projections of how East London will change over the period of the strategy, including housing stock numbers/types.

c) Forecasts of how waste generation levels will change, taking into account anticipated growth in housing/population at a local level as well as broader national trends that will impact on waste. The latter will include impacts from the proposals contained within the national Resources and Waste Strategy, such as Extended Producer Responsibility and a national Deposit Return Scheme for drinks containers, as well as ‘horizon-scanning’ for other factors that may impact on waste generation, such as shifts in consumption patterns, advent of new technologies and other factors.

d) Estimate of potential impacts on waste generation levels from waste reduction interventions initiated by ELWA and/or the Constituent Councils, such as communications campaigns relating to, for example, food waste or junk mail or to product sharing/leasing options, or restrictions on waste collection capacity.

e) Modelling and assessment of options to divert waste materials to reuse services, such as improved Reuse & Recycling Centres, community-based reuse initiatives, ‘give & take’ days, clothes-swapping events, repair advice and/or workshops, promotion of non-municipal second-hand or reuse options, or dedicated reuse collection services.

f) Modelling and assessment of options to increase recycling levels through enhanced collection services, improved Reuse & Recycling Centres and other appropriate measures, bearing in mind Government proposals mentioned above in relation to Extended Producer Responsibility.

5.12 The data gathering, forecasting and modelling work that is undertaken at Part A will underpin the subsequent stages of the strategy development work. There will be a requirement to check assumptions against new information as Parts B and C are formally developed further down the line, but it is expected that these exercises will be significantly smaller in scale than what needs to be undertaken to start developing Part A now.

5.13 Given the potentially challenging circumstances that ELWA and the Constituent Councils may face in developing Parts B and C of the strategy, it is essential that the Part A work that underpins them is sufficiently robust that it can stand up to detailed scrutiny in the future, and that it is capable of being refreshed without undue expense when needed for subsequent procurements and facility development.

Pre-Procurement of Specialist Consultancy Services

5.14 It has been agreed that a consultancy firm will be employed to undertake the projections, forecasts and modelling for Part A.

5.15 The value of this work is expected to exceed EU procurement thresholds for services, and as such it has been agreed that a framework will be used to procure these services through a mini-competition.

5.16 Local Partnerships have been employed by ELWA to assist with the development of a suitable specification, evaluation approach and other necessary tender documents.

5.17 Two workshops have now been delivered by Local Partnerships and ELWA to engage the Constituent Councils on the background to the strategy development work and the scope of the specification. The second workshop was attended by a key officer from each of ELWA
and the Constituent Councils who will be working on the Project Team for Part A of the Strategy.

Principles of Part A Procurement Approach

5.18 The detailed tender documentation is in the process of being drafted. Documentation will include a specification and evaluation matrix, which will together provide bidders with details of the work required and how their proposals will be evaluated.

5.19 The specification will require that bidders provide details on how they will model future waste generation levels, and it is currently proposed that this is asked for at key milestone years such as 2025 (London Environment Strategy target year), 2035 (Circular Economy Package target year) and 2050 (when we expect we will need to be starting work on a new joint resources and waste strategy).

5.20 It is proposed that the modelling work includes the wider scope of waste types and potentially differing timescales required by the planning policy teams in the four Local Planning Authorities (LPAs), so that the data can be used to help develop a new Joint Waste Development Plan Document (JWDPD) for East London.

5.21 The bidders will be asked to propose methods and pricing for modelling work, including:

a) the potential impacts of the proposals outlined in the recent Resources and Waste Strategy consultations, and where possible incorporating proposals from any further consultations that may be issued by the Government while the Part A work is being undertaken;

b) the effects of reduction and reuse initiatives that ELWA and/or the Constituent Councils could initiate to move the management of resources up the waste hierarchy;

c) appraising collection scenarios, to assess relative costs and performance. The scenarios are likely to be those set out in the Government’s recently proposed Consistency Framework, with variations on container types, collection frequencies and local service policies; but ELWA and the Constituent Councils may agree a small number of additional scenarios if it is felt that the Government’s proposals will not be ideal for our local demography; and

d) the impact of projected numbers of flats on performance.

5.22 Owing to the scope, complexity and importance of the work that is being commissioned, ELWA is proposing that the framework mini-competition tenders are evaluated against criteria that award 70% of points for quality and 30% for price. The criteria are being developed at present, but are likely to include:

a) project management approach and suitability of project plan, including methods of working with Constituent Councils and liaising with other stakeholders;

b) method for undertaking forecasting of future waste tonnage levels, including modelling RWS impacts and horizon-scanning;

c) method for projecting impacts of waste reduction and reuse initiatives/services, including preferred metrics;

d) method for modelling collection scenarios, including impacts of flats;

e) qualifications and experience of personnel assigned to the project and ability to bring insights to our future options and to communicate these effectively; and

f) cost of principal work and cost of additional work.
5.23 The Intellectual Property associated with the model(s) used in the analysis is to be ELWA’s, with all models, assumption sheets, supporting data etc. to be passed to the Authority.

6. **Reduction and Recycling Plans**

6.1 The London Environment Strategy (LES) requires that the London Boroughs provide the Mayor of London with Reduction and Recycling Plans (RRPs) that set out how they will deliver against the aims and objectives of the strategy.

6.2 The Constituent Councils are required to submit their RRPs to the Greater London Authority (GLA) by 30 June for comment. Final submission will be by 31 August, following a period of review by the GLA and subsequent amendment (as needed) by the Constituent Councils.

6.3 ELWA is assisting officers from the Constituent Councils as much as possible to complete the RRPs and get them submitted by the end of June. ELWA will also assist with any clarifications or amendments that may be required during August after the documents have had their initial review by the GLA.

7. **Next Steps**

7.1 It is proposed that the tender documentation for consultancy services will be finalised in consultation with the Project Team, with the aim of uploading to the framework in July. Comments received from Members will be incorporated.

7.2 The mini-competition will be live for 3-4 weeks, with evaluation taking place during the summer so that a contract award can take place by September. It is anticipated that the work to mobilise the consultancy support will be well underway by the September Authority Meeting.

8. ** Relevant officers:**

8.1 Andrew Lappage, Managing Director / e-mail: andrew.lappage@eastlondonwaste.gov.uk / 020 8724 5614; and Jon Hastings, Head of Strategy & Development / 020 8724 3689/ email: jon.hastings@eastlondonwaste.gov.uk.

9. **Appendices attached:**

9.1 None.

10. **Background papers:**

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

10.2 17 Sept 2018 Preparations for Future Wastes Management Arrangements – Update

11. **Legal considerations:**

11.1 As set out in the body of the report the Authority’s emerging strategy will be composed of three parts A, B & C being Maximising Waste Reduction, Reuse and Recycling; Managing Residual Waste and Delivering the Infrastructure. These stages are not separate but will be co-dependant. Each step will be shaped by consultation and earlier steps and the need to balance flexibility to deal with greater expectations of innovation in tackling waste with long term investment, which presents unique challenges within the environment of a fast-moving waste management regulatory framework.
This strategy development work will require procurement of services and ensuring the Authority gets the right expertise, quality and capacity. Paragraph 5.22 sets out the procurement arrangements which will be consistent with the Authority’s Contract Rules within part D1 of the Authority’s Constitution.

These can be summarised as Contracts of a Net Value of up to £5,000 will require at least one written quotation and discretion as to whether additional quotations should be obtained having regard to relevant factors that should be taken into account together with a written record of the process. Where the Contracts are of a net value between £5,001 and £50,000 there should be at least three written quotations. In determining the appropriate organisations from which quotations are to be obtained, account shall be taken of the subject matter of the contract and any other considerations, which are appropriate. Where the contracts are of a net value of £50,001 up to £500,000 a publication of an appropriate advertisement and a subsequent competitive tendering process shall be carried out. Subject to where the contract exceeds the goods/services or works thresholds (as appropriate) set out in the EU Rules, the opportunity must be advertised in the Official Journal of the European Union (OJEU) and tendered in compliance. In making the award it must be on the basis of the ‘most economically advantageous tender’ (MEAT), which does not necessarily mean the cheapest but if the factors are not within the definition in the Constitutions of MEAT then it must be a decision of the authority. Furthermore, this should be undertaken with the advice of the Authority’s Legal Adviser and Finance Director. Finally, the Authority shall award all contracts with a Net Value above £500,000 save where it has expressly delegated authority to award the contract.

Financial considerations:

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

Performance management considerations:

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

Risk management considerations:

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.

Equalities considerations:

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

Follow-up reports:

As required.

Websites and e-mail links for further information:

http://eastlondonwaste.gov.uk/
18. **Glossary:**

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

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

ELWA / the Authority = East London Waste Authority

GLA = Greater London Authority

HGV = Heavy Goods Vehicle

IWMS = Integrated Waste Management Services contract

JWDPD = Joint Waste Development Plan Document (a land-use allocations plan for planning applications for waste facilities being handled by the Constituent Councils to be assessed against)

LES = London Environment Strategy

LPA = Local Planning Authority

MBT = mechanical-biological treatment facilities at Jenkins Lane and Frog Island that process residual waste to recover recyclable materials and produce fuels for subsequent energy recovery

PFI = Private Finance Initiative

RRP = Reduction and Recycling Plan, which each London Borough is required to submit to the GLA

19. **Reviewed by Management Board**


20. **Confidentiality:**

20.1 Not Applicable.
AUTHORITY REPORT: RIVERSIDE ENERGY PARK DCO APPLICATION - UPDATE

1. Confidential Report:

1.1 No.

2. Recommendation:

2.1 It is recommended that Members note the report.

3. Purpose:

3.1 To update the Members on the Development Consent Order (DCO) application that has been submitted to the Planning Inspectorate (PINS) by Cory Riverside Energy for the second Energy Recovery Facility (ERF) at the proposed Riverside Energy Park (REP) in Belvedere, London Borough (LB) of Bexley.

4. Background:

4.1 Members were presented with a report at the 04 February 2019 meeting, setting out the details of a DCO application that had been submitted by Cory Riverside Energy for the proposed REP. That report also included the outline representation to PINS that ELWA was proposing to submit as part of the first stage of engaging with the Examination process for the application.

5. Recent Activities:

5.1 ELWA submitted the proposed outline representation to PINS before the deadline in February.

5.2 The Authority was subsequently invited to attend the Preliminary Hearing on 10 April, which was held at a community centre near the site. As ELWA officers were unable to attend because of schedule clashes, a waste planning specialist was commissioned to attend on the Authority’s behalf to observe proceedings, speak on ELWA’s behalf, and provide a report back to assist with preparing the full representation.

5.3 A full representation was subsequently prepared and submitted to PINS before the deadline on 20 May. This is attached for reference at Appendix A.

6. Overview of Representations

6.1 There have been outline and full written representations to PINS from a number of individuals and organisations. Perhaps unsurprisingly for a waste incineration facility, the majority of these representations have not supported the development of a second ERF in Belvedere.

6.2 The Mayor of London has strongly objected to the proposals, citing that it is not needed and will diminish the city’s air quality.

6.3 Within the ELWA area, the MP for Dagenham and Rainham has submitted an extensive representation objecting to the proposals, and begun a campaign against the development.
7. **Examination and Planning Policy**

7.1 The DCO application is being considered by PINS under national planning policy for energy, given the electrical output of the REP will mean it is considered to be a ‘nationally significant’ energy facility.

7.2 The appointed Examining Authority indicated at the Preliminary Meeting that the case for the facility is clearly set out in the National Policy Statement for Renewable Energy Infrastructure (EN-3). This means that arguments about need from a waste perspective will not be considered in the Examination process.

7.3 It is not clear whether concerns raised by stakeholders about transportation, air quality, energy efficiency or heat offtake will be considered in the Examination. For instance, if the application meets the requirements of the Waste Incineration Directive, health concerns are unlikely to be considered when determining the outcome of the application. Similarly, the planning policy statement merely requires that heat offtake is possible, rather than actually being in place.

7.4 ELWA officers have not sought to engage in the Open Floor Hearing stage of the Examination, as the necessary points have been raised and fully explained in the written representation. However, the ELWA officers will continue to monitor the progress of the Examination.

8. **Conclusion:**

8.1 Members are asked to note the content of this report.

9. **Relevant Officer:**

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

10. **Appendices attached:**

10.1 Appendix A: Full ELWA representation.

11. **Background Papers:**

11.1 None.

12. **Legal Considerations:**

12.1 Cory Environmental Holdings Limited (trading as Cory Riverside Energy) have an application under the Planning Act 2008 for development consent for an integrated energy park (known as Riverside Energy Park) at Norman Road in Belvedere in the London Borough of Bexley.

12.2 As the development is considered to be national infrastructure the decision as to whether to grant planning permission will not be made by the local planning authority; rather it is being done by the Secretary of State through the Planning Inspectorate (PINS). PINS is in the process of carrying out an examination and has invited parties who may have an interest to make written representations, which the Authority has done.
13. **Financial considerations:**
13.1 There are no financial implications for ELWA at this stage.

14. **Performance management considerations:**
14.1 None at this stage.

15. **Risk management considerations:**
15.1 None at present. Officers will continue to engage in the evolution of the proposals for the Riverside Energy Park in order to ensure that any risks to the delivery of the planned East London Joint Resources and Waste Strategy are minimised.

16. **Equalities considerations:**
16.1 The Examination process for the DCO application will include the need for the applicant to address impacts on equalities, and these will be reviewed by the Authority as part of its response to the consultation.

17. **Follow-up reports:**
17.1 A further report will be prepared once the DCO Examination process has concluded.

18. **Websites and e-mail links for further information:**
   Authority website: [www.eastlondonwaste.gov.uk](http://www.eastlondonwaste.gov.uk)

   18.1 REP application to PINS, including Examination documents and representations:
       [https://infrastructure.planninginspectorate.gov.uk/projects/london/riverside-energy-park/?ipcsection=docs](https://infrastructure.planninginspectorate.gov.uk/projects/london/riverside-energy-park/?ipcsection=docs)

   18.2 Report by Tolvik Consulting on EfW infrastructure in London and the South East:

19. **Glossary:**
   ELWA/the Authority = East London Waste Authority
   The Councils/Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge
   DCO = Development Consent Order
   EfW = Energy-from-Waste
   ERF = Energy Recovery Facility
   LB = London Borough
   LES = London Environment Strategy
   LPA = Local Planning Authorities
   PINS = Planning Inspectorate
REP = Riverside Energy Park

RRRF = Riverside Resource Recovery Facility, the name given to the EfW facility in Belvedere, LB Bexley, operated by Cory Riverside Energy

20. **Reviewed by Management Board:**

20.1 14 June 2019.

21. **Confidentiality:**

21.1 No.
Dear Mr Green,

**Re: Written Representation from East London Waste Authority to Riverside Energy Park DCO Application**

Further to the outline Relevant Representation I submitted earlier this year, please find herewith a full Written Representation from East London Waste Authority (ELWA) for the Examination of the Development Consent Order application for Riverside Energy Park.

The focus of ELWA’s representation is on the proposed energy-from-waste (EfW) facility at the site, rather than the anaerobic digestion plant and battery storage installations.

**DISTRIBUTION OF EFW FACILITIES**

ELWA understands that the Examining Authority has concluded that the need for the new EfW facility is set out in National Policy Statement for Renewable Energy Infrastructure (EN-3). ELWA does not contest or object to this decision from the perspective of energy generation.

However, ELWA is concerned that the locating of a second large EfW on essentially the same site as an existing (even larger) plant will lead to an unhelpful clustering of this activity in one location. As noted in section 2.5.18 of EN-3, an EfW serves two roles: treatment of waste; and recovery/generation of energy. Arguably there are few geographical considerations that need to be made for energy generation, given the pre-existing grid infrastructure and the intensity of energy use/demand within London and the South East. However, for waste treatment the geographical factors become more pertinent, owing to the costs and environmental impacts of moving the material over longer distances.

Concentrating such a large amount of residual waste treatment at one location will potentially result in an efficient system overall. ELWA would argue that the equivalent capacity of infrastructure may be better placed elsewhere to deliver additional energy infrastructure for the national grid while also contributing to the development of a more efficient and balanced network of waste treatment and heat production facilities.

**SOURCES OF WASTE**

The existing Riverside Resource Recovery Facility (RRRF), located next to the EfW proposed as part of this application, is already handling the waste from those London authorities who can place it on to river transport:

- Western Riverside Waste Authority (which manages waste treatment and disposal for the boroughs of Hammersmith & Fulham, Kensington & Chelsea, Lambeth and Wandsworth) uses wharves at Smuggler’s Way and Cringle Dock (both LB Wandsworth).
- City of London uses Walbrook Wharf (City of London).
- Tower Hamlets uses Northumberland Wharf (Tower Hamlets).

LB Bexley, the host borough for the RRRF, delivers by road to the RRRF.
Appendix 1 to this Written Representation provides information on how the majority of residual waste from the London boroughs is being managed. Appendix 1 also includes information about how residual waste is currently managed in Kent and Essex (including the county councils and unitary authorities) as they border the River Thames.

This information is provided to demonstrate that local authority residual waste streams from the likely ‘catchment area’ of the new facility are already being managed through other arrangements. Securing access to these types of waste streams on long-term contracts is normally an important part of EFW operators’ business plans, as this can provide some guaranteed feedstock and associated financial security. Accepting waste from further afield is likely to cause greater impacts of transportation.

RIVER TRANSPORT

The map in Appendix 2 shows the locations of existing EFW facilities in or very close to London, along with the location of the four wharves where waste is loaded on to barges to be taken to the existing RRRF in Belvedere. Also marked for context is the Crossness Sewage Treatment Works, and the two closest fixed-link crossings of the Thames to the proposed location of the REP.

ELWA notes that the applicants have not given details of the available operational capacity at the four existing river transfer stations in London. ELWA understands that these facilities are already well-used, and may not have capacity to handle the amount of waste that is proposed to be treated at the REP (which is nearly the same again as what passes through the existing RRRF). The application does not appear to include any proposals for additional riverside infrastructure at other locations, whether within the boundaries of Greater London or in locations along the Essex or Kent shorelines of the Thames Estuary.

The largest of the four wharves that are used to load waste onto barges for shipment to the existing RRRF at Belvedere are the two located in Wandsworth that are used by Western Riverside Waste Authority. From these locations the waste containers are hauled a considerable distance down the river, replacing what would be lengthy road journeys to reach a disposal site elsewhere. However, it is not clear if the additional costs and complexity of transferring waste from road transport to river barges (and then back onto road transport on the jetty at Belvedere) is justifiable for replacing shorter journeys.

Where road journeys could be justified on efficiency grounds, there are reasonable connections to the west, south and southeast of Belvedere. However, ELWA would like to highlight the impact of the River Thames as an obstacle to accessing this area from locations to the north. As is indicated on Appendix 2, there are no fixed-link crossings (bridges or tunnels) between Blackwall in the west and Dartford in the east. The planned Silvertown Tunnel is located almost alongside the existing Blackwall Tunnel:

There are no proposals in current transport strategies to develop a fixed road link closer to Belvedere that ELWA is aware of (https://tfl.gov.uk/corporate/about-tfl/how-we-work/planning-for-the-future/new-river-crossings-for-london?intcmp=43597).

Without either the development of new riverside infrastructure to enable short crossings by barge from the north (which would significantly add to the cost of wastes management to residents) or the construction of a proximate new bridge, it appears to ELWA that the Belvedere site may only be suited to wastes from the south, thereby placing increased burdens on the local road network and environment.
HEAT SOURCE DISTRIBUTION

ELWA notes that the existing RRRF at Belvedere does not yet have any heat offtake customers, nor any firm proposals for the establishment of a district heat network to which it would be connected. This therefore brings into question whether there is sufficient demand for a second large heat source at the same site, both at present or in forthcoming developments. ELWA would also like to draw attention to the presence of another incineration facility (for sewage sludge) in the vicinity at Crossness, which may offer potential for heat offtake should there be demand. This means there is already a significant concentration of unexploited heat available at Belvedere.

The DCO application notes that the EfW proposed as part of the REP would serve as a back-up to any heat offtake that may eventually begin from the existing RRRF. However, the RRRF has three separate boilers, and only one of these would ever be taken offline at a time for routine maintenance. The circumstances would be very rare indeed for both of the other lines to need to be taken offline as well, and as such the facility would continue to supply significant amounts of heat. A robust district heat network should have an independent back-up gas boiler and thermal stores (ideally at a separate location to the main heat source), which would come into service should there be a catastrophic failure of heat supply from the primary source. The need for the REP EfW as a back-up is therefore not clear, particularly as it would be likely to use the same physical connection as the RRRF to any district heat network (and thus separate back-up boilers elsewhere would still be needed to guarantee supply in the event of damage to this connection). Again, it should be noted that the existing Crossness sewage incineration facility may be appropriate as a secondary heat source, should there be a need for a backup to the RRRF.

District heating, and the associated district cooling technology, could play a role in helping the UK to adapt to climate change and increase its energy security. If these technologies are to play more of a role in London’s future, there would need to be a fairly even distribution of major heat sources around the city to ensure that these are being used as efficiently as possible. Concentrating heat sources in the manner that is proposed at Belvedere would significantly increase the capital costs of new district energy networks because of the need for longer-distance connections to distribute the heat to other neighbourhoods. Buried heat network pipes can cost £1000/metre to install. In addition, as the heat sources at Belvedere have a wide stretch of the Thames immediately to the north, it is arguable that the opportunities for heat offtake are further reduced.

If you wish to clarify any of the points we have made, please do not hesitate to contact me.

Yours faithfully,

Andrew Lappage
Managing Director
East London Waste Authority

Tel: 020 8724 5614
Email: andrew.lappage@eastlondonwaste.gov.uk

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Appendix 1
Current (or soon-to-be-implemented) arrangements for local-authority collected residual waste in and east of London.

Glossary of terms

<table>
<thead>
<tr>
<th>MBT</th>
<th>Mechanical-Biological Treatment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERF</td>
<td>Energy Recovery Facility</td>
</tr>
<tr>
<td>EFW</td>
<td>Energy-from-waste</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>WDA</th>
<th>Borough</th>
<th>Residual Waste Destination</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>East London Waste Authority</td>
<td>Barking &amp; Dagenham</td>
<td>Renewi Jenkins Lane MBT, Newham and Frog Island MBT, Havering</td>
<td>Fuel production</td>
</tr>
<tr>
<td></td>
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<td>Note: the two MBT facilities are both located within London, but the fuels produced through the process are mostly exported from the UK</td>
<td>Fuel export (Outside London)</td>
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<td>Havering</td>
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<td>Newham</td>
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<td>Redbridge</td>
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</tr>
<tr>
<td>North London Waste Authority</td>
<td>Barnet</td>
<td>LondonEnergy Edmonton EFW, Enfield</td>
<td>Energy-from-waste</td>
</tr>
<tr>
<td></td>
<td>Camden</td>
<td>Note: construction has begun on a replacement ERF on an adjacent plot at the same site, which is due to become operational in 2025</td>
<td>(London)</td>
</tr>
<tr>
<td></td>
<td>Enfield</td>
<td>FCC Greatmoor ERF, Buckinghamshire (by rail)</td>
<td>Energy-from-waste</td>
</tr>
<tr>
<td></td>
<td>Hackney</td>
<td>Note: use of rail transport to move material to Greatmoor facility may be replaced with deliveries to the replacement Edmonton ERF after 2025</td>
<td>(Outside London)</td>
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<td></td>
<td>Haringey</td>
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<td>Islington</td>
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<td>Waltham Forest</td>
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<tr>
<td>West London Waste Authority</td>
<td>Brent</td>
<td>Suez Severnside ERF, Gloucestershire (by rail)</td>
<td>Energy-from-waste</td>
</tr>
<tr>
<td></td>
<td>Ealing</td>
<td>Note: contract is currently due to run until the late 2030s</td>
<td>(Outside London)</td>
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<td></td>
<td>Harrow</td>
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<tr>
<td></td>
<td>Hillingdon</td>
<td>Grundon/Viridor Lakeside EFW, Colnbrook, Slough</td>
<td>Energy-from-waste</td>
</tr>
<tr>
<td></td>
<td>Hounslow</td>
<td>Note: Lakeside EFW (which opened in 2010) may potentially need to close due to expansion of Heathrow Airport. It may be possible that a replacement could be built at a nearby location.</td>
<td>(Outside London)</td>
</tr>
<tr>
<td></td>
<td>Richmond</td>
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<tr>
<td></td>
<td>Hammersmith &amp; Fulham</td>
<td>Cory Riverside Energy RRRF, Belvedere, Bexley (by river)</td>
<td>Energy-from-waste</td>
</tr>
<tr>
<td></td>
<td>Kensington &amp; Chelsea</td>
<td></td>
<td>(London)</td>
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<td>Lambeth</td>
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<td></td>
<td>Wandsworth</td>
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<tr>
<td>Western Riverside Waste Authority</td>
<td>Hammersmith &amp; Fulham</td>
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<td>Kensington &amp; Chelsea</td>
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<td>Lambeth</td>
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<td>Wandsworth</td>
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<tr>
<td>Partnership</td>
<td>Borough</td>
<td>Residual Waste Destination</td>
<td>Type</td>
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<tr>
<td>South London Waste Partnership</td>
<td>Croydon</td>
<td>Viridor Beddington Lane ERF, Sutton</td>
<td>Energy-from-waste (London)</td>
</tr>
<tr>
<td></td>
<td>Kingston</td>
<td>Note: new ERF facility due to open soon to replace landfill site at same location, so energy-from-waste assumed for this table</td>
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<tr>
<td></td>
<td>Merton</td>
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<td>Sutton</td>
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<th>Residual Waste Destination</th>
<th>Type</th>
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<tr>
<td>Bexley</td>
<td>Cory Riverside Energy RRRF, Belvedere, Bexley (by road)</td>
<td>Energy-from-waste (London)</td>
</tr>
<tr>
<td>Bromley</td>
<td>Veolia SELCHP ERF, Lewisham</td>
<td>Energy-from-waste (London)</td>
</tr>
<tr>
<td></td>
<td>Veolia Pitsea landfill, Essex</td>
<td>Landfill (Outside London)</td>
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<tr>
<td></td>
<td>Enovert South Sevenoaks landfill, Kent</td>
<td>Landfill (Outside London)</td>
</tr>
<tr>
<td>City of London</td>
<td>Cory Riverside Energy RRRF, Belvedere, Bexley</td>
<td>Energy-from-waste (London)</td>
</tr>
<tr>
<td>Greenwich</td>
<td>Veolia SELCHP ERF, Lewisham</td>
<td>Energy-from-waste (London)</td>
</tr>
<tr>
<td>Lewisham</td>
<td>Veolia SELCHP ERF, Lewisham</td>
<td>Energy-from-waste (London)</td>
</tr>
<tr>
<td>Southwark</td>
<td>Veolia Old Kent Road MBT, Southwark</td>
<td>Fuel production (London)</td>
</tr>
<tr>
<td></td>
<td>Note: some of the fuel produced at the MBT is delivered to the nearby SELCHP ERF, and some is shipped to ERFs outside London or abroad</td>
<td>Fuel export (London and Outside London)</td>
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<tr>
<td></td>
<td>Note: the MBT is provided under a PFI contract that is currently due to end in 2033</td>
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</tr>
<tr>
<td>Tower Hamlets</td>
<td>Cory Riverside Energy RRRF, Belvedere, Bexley (by river)</td>
<td>Energy-from-waste (London)</td>
</tr>
<tr>
<td>Non-London Authority</td>
<td>Residual Waste Destination</td>
<td>Type</td>
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<tr>
<td>Thurrock (UA)</td>
<td>Kent Enviropower EFW, Allington, Kent (bulked in Thurrock, sent on by road)</td>
<td>Energy-from-waste (Outside London)</td>
</tr>
<tr>
<td></td>
<td>Veolia Pitsea landfill, Essex</td>
<td>Landfill (Outside London)</td>
</tr>
<tr>
<td>Essex County Council (WDA) &amp; Southend-on-Sea (UA)</td>
<td>UBB Basildon MBT, Basildon, Essex</td>
<td>Fuel production and export (Outside London)</td>
</tr>
<tr>
<td></td>
<td>Cory Environmental Bellhouse Landfill, Colchester, Essex</td>
<td>Landfill (Outside London)</td>
</tr>
<tr>
<td></td>
<td>Other landfill sites for smaller amounts of material (all in Essex)</td>
<td>Landfill (Outside London)</td>
</tr>
<tr>
<td>Medway (UA)</td>
<td>Veolia SELCHP ERF, Lewisham (bulked in Medway, sent on by road)</td>
<td>Energy-from-waste (London)</td>
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<tr>
<td>Kent County Council (WDA)</td>
<td>Kent Enviropower EFW, Allington, Kent</td>
<td>Energy-from-waste (Outside London)</td>
</tr>
</tbody>
</table>
This is Appendix 2 to the Written Representation from East London Waste Authority (20022257) to the EN010093 Examination of the DCO Application for the Riverside Energy Park (REP).

**EfW Facilities**

1. Edmonton
2. SELCHP
3. Lakeside (Colnbrook)
4. RRRF
5. Beddington Lane

The RRRF indicated by star #4 is the existing EfW at Belvedere, immediately adjacent to the site for the REP proposed through this DCO application.

**Wharves Serving RRRF**

1. Smuggler's Way
2. Cringle Dock
3. Walbrook Wharf
4. Northumberland Wharf
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AUTHORITY REPORT: MODERN SLAVERY STATEMENT

1. Confidential Report:
   1.1 No.

2. Recommendation:
   2.1 Members are asked to approve the Modern Slavery Statement as at Appendix A.

3. Purpose:
   3.1 To provide Members an outline of the Modern Slavery Act 2015 and to seek their approval of the proposed Modern Slavery Statement.

4. Executive Summary:
   4.1 The Modern Slavery Act 2015 was introduced to address concerns about exploitation of people and workers. As a public authority the Act does not directly apply to the Authority in its functions, but it does apply to the agents of its business principally ELWA Limited its joint venture with its partners John Laing and Renewi UK Services Limited (Renewi).

5. Background:
   5.1 Modern slavery is a form of organised crime in which people are treated as commodities and exploited for criminal gain. Modern slavery, in particular human trafficking, is an international problem. Modern slavery takes a number of forms, including sexual exploitation, forced labour and domestic servitude, and victims come from all walks of life. Victims are often unwilling to come forward to law enforcement or public protection agencies, not seeing themselves as victims, or fearing further reprisals from their abusers. In particular, there may be particular social and cultural barriers to men identifying themselves as victims. Victims may also not always be recognised as victims of modern slavery by those who come into contact with them.

   5.2 The European Commission tabled a proposal for a Directive on trafficking in human beings. A final text was agreed in March 2011 and was adopted on 5 April 2011: Directive 2011/36/EU of the European Parliament the United Kingdom has opted into this Directive.

   5.3 The Government has introduced a provision in the Modern Slavery Act 2015 which requires all large businesses (with a turn-over of £35m or more) to produce a statement setting out the steps they have taken to ensure there is no modern slavery in their own business and their supply chains. If an organisation has taken no steps to do this, their statement should say so. The measure is designed to create a level playing field between those businesses, whose turnover is over the threshold, which act responsibly and those that need to change their policies and practices.

   5.4 The Home Office has published guidance, 'Transparency in Supply Chains etc. A practical guide', which has informed ELWA’s leadership team in taking the steps to reflect best practice.

   5.5 The guidance advises that organisations will need to build on what they are doing year on year. The first statements produced may show how they are starting to act on the issue and their planned actions to investigate or collaborate with others to effect change.
5.6 While it is yet to be official government policy to compel public authorities to issue their own Modern Slavery Statements, many local authorities are doing just that, and if they own companies they will already be doing so for good governance and to demonstrate commitment to supporting equalities and human rights for which they have a duty to observe.

6. Conclusion:

6.1 Members are asked to approve the draft statement and note the progress is being made with the first Modern Slavery Statement, which will annually build upon progress and take account of best practice.

7. Relevant officer:

7.1 Andrew Lappage, Managing Director, ELWA / tel: 0208 724 5614 / e-mail: andrew.lappage@eastlondonwaste.gov.uk

8. Appendices attached:

8.1 Appendix A – draft Modern Slavery Statement for consideration/approval.

9. Background Papers:


10. Legal Considerations:

10.1 As observed in the body of this report the Authority’s company ELWA Limited is required to produce a Modern Slavery Statement.

11. Financial considerations:

11.1 None currently.

12. Performance management considerations:

12.1 The key performance consideration will be monitoring the current operation and ensuring the strategic direction of ELWA accommodates within its future waste strategy ensuring sound and agile governance arrangements that take account of the risk of modern slavery in the supply chain.

13. Risk management considerations:

13.1 The steps outlined in this report will improved ethical governance

14. Equalities considerations:

14.1 Equality impact will be that the Authority is setting a lead of ethical governance which will promote fairness and equality of treatment.

15. Follow-up reports:

15.1 The Modern Slavery Statement and review of the steps taken to ensure that the Authority prevents modern slavery affecting the function of the Authority will be reported to Members annually.
16. **Websites and e-mail links for further information:**
   

17. **Glossary:**
   
   - The Authority = East London Waste Authority
   - LBBD = London Borough of Barking & Dagenham

18. **Reviewed by Management Board:**
   
   18.1 14 June 2019.

19. **Confidentiality:**
   
   19.1 Not applicable.
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MODERN SLAVERY STATEMENT 2019

1. Introduction

1.1 This statement is made pursuant to Section 54 of the UK Modern Slavery Act 2015 (the “Act”). It sets out the steps taken by the East London Waste Authority (the Authority). The Authority, as a public authority, is not regulated by the Act although its contractor and joint venture company ELWA Limited, (the Company) is bound by the Act because of its annual turn-over. This statement sets out the steps the Company took during the financial year ending 31 March 2019 to prevent modern slavery and or human trafficking in our own operations and supply chains.

1.2 Modern Slavery is a term used to encapsulate offences in the Modern Slavery Act 2015 and takes various forms such as slavery, servitude, forced labour and human trafficking, all of which have in common the deprivation of a person’s liberty by another in order to exploit them for personal or commercial gain. Businesses must be alert to the risks of modern slavery, not only ensuring there are appropriate working conditions within their own business, but also satisfying themselves that there is no modern slavery within its supply chain, plus taking appropriate action where necessary.

1.3 The Company takes a zero-tolerance stance on modern slavery. Ensuring the health, safety and wellbeing of our colleagues is a top priority and is at the core of our approach. The Company Board seeks to continue to re-enforce this throughout the Company’s operations and supply chains. Should any colleague, supplier or Service Provider act to the contrary; the Company’s Board will not hesitate to take appropriate measures.

1.4 The Company has no direct employees and delivers its contractual requirements through other organisations and suppliers. The Company’s Board requires that these organisations have Modern Slavery Policies, which discourage and deter modern slavery within their businesses. This policy reflects Company’s commitment to acting ethically and with integrity in all of our business relationships. However, we the Company’s Board acknowledges that it must remain vigilant to the risks and ensure that its suppliers and Service Providers’ understand and play their part in ensuring that modern slavery and human trafficking does not occur in the Company’s operations or supply chains.

1.5 Where necessary, the Authority and the Company will look to further strengthen controls throughout the Company’s business and wider supply chain and will seek to develop the Company’s policies, in line with best practice and continuous improvement principles.

2. Our Organisation

2.1 On 23 December 2002, the East London Waste Authority (the “Authority”) entered into a 25-year PFI contract with the Company for the provision of waste management services within the East London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.

2.2 The Boroughs have a combined population of around one million people living in over 400,000 households. Approximately 450,000 tonnes of waste is delivered to the Company and its Operator Renewi UK Services Limited (“Renewi”) by the boroughs each year for disposal. As part of the contract, over £100 million has been invested in new and improved facilities, new ways to treat and transport waste and better communications with the Authority’s residents, thereby providing the infrastructure to significantly increase recycling and reduce the amount of waste sent to landfill.

2.3 The Company is owned in partnership by John Laing Environmental Assets Group (UK) Limited, Renewi UK Services Limited and the East London Waste Authority.

2.4 The Company appointed Renewi under an Operating Contract to provide the operational services as detailed in the contract with the Authority, in a manner which is compliant with all legislation. Part of the operating contract includes the management of the ELWA Limited supply chain and the provision of a procurement service. This means that ELWA Limited’s compliance with Modern Slavery Act 2015 is delivered principally by Renewi through the operating contract.
2.5 The Company’s Board ensures its contractor, Renewi, which is a subsidiary of Renewi Plc, to ensure that a safe and compliant workplace is provided for all workers on each of the sites under the Company’s control.

2.6 Renewi Plc subscribes to the 10 principles of the UN Global Compact, an international initiative by the United Nations to promote improved human rights, working conditions, environmental protection and anti-corruption. Businesses, including Renewi Plc, that subscribe to these 10 principles commit to the following:

**Human Rights**
- Principle 1: support and respect the protection of internationally proclaimed human rights
- Principle 2: make sure that they are not complicit in human rights abuses

**Labour**
- Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: promote the elimination of all forms of forced and compulsory labour
- Principle 5: promote the effective abolition of child labour
- Principle 6: promote the elimination of discrimination in respect of employment and occupation

**Environment**
- Principle 7: support a precautionary approach to environmental challenges
- Principle 8: undertake initiatives to promote greater environmental responsibility
- Principle 9: encourage the development and diffusion of environmentally friendly technologies

**Anti-Corruption**
- Principle 10: work against corruption in all its forms, including extortion and bribery

2.7 These core values and principles form the basis of Renewi’ Plc’s Code of Conduct, which applies to all employees, agency workers, interns and individuals working for the Company on a contract basis. The Code of Conduct outlines the conduct expected of individuals working for Renewi companies but also what these individuals can expect from Renewi Plc.

3. **Annual Review and Steps Taken**

3.1 This Statement will be reviewed and updated annually by the Authority following the Company’s annual review of its statement that was last approved in May 2019.

3.2 The Company published its first Modern Slavery Statement in July 2017. Since then, on the Company’s behalf, Renewi has focused on strengthening the approach to the prevention of modern slavery within the Renewi business and supply chains, particularly in the areas of greatest risk.

**Steps taken by Renewi**
- The recruitment of a new head of procurement and the development of a larger procurement team to improve procurement procedures.
- The creation of a Modern Slavery and Human Trafficking Policy.
- The categorisation of suppliers so that certain supplier types are treated as being at higher risk in relation to modern slavery.
- The issuing of standard conditions of purchase, containing a requirement to adhere to statutory obligations and all Renewi policies) to all new suppliers. This includes adhering to the Modern Slavery Act
- The inclusion in relevant service agreements of bespoke modern slavery clauses depending on the risks associated with that category of supplier.
• The development of an e-learning platform to house training programmes and staff policies. The platform contains a specific Modern Slavery training module and holds the Modern Slavery and Human Trafficking Policy.

Planned steps to be taken by Renewi

• In 2019, to further understand the risks of modern slavery, the Renewi procurement team will be issuing a survey to the supplier categories it considers to be of greater risk. The results of this survey will allow Renewi to assess suppliers on an individual basis as to the risks of modern slavery within their supply chains. The data generated from this risk assessment will shape Renewi’s approach to modern slavery in the future.

• In 2019 Renewi will run an awareness campaign directed towards suppliers, providing them with information about modern slavery and making them aware of their obligations in terms of modern slavery.

• In 2019 Renewi’s newly developed modern slavery e-learning training module will be rolled out to its staff who are most at risk of coming into contact with modern slavery.

• In 2019 Renewi will issue a new Code of Conduct to all staff. The policy will include a specific section about modern slavery and detail how any suspected instances should be reported.

4. Our business and supply chains

4.1 The Authority recognises it has a significant role to play in combating modern slavery in the services it commissions directly and indirectly.

4.2 The ELWA Limited Board of Directors has accepted collective responsibility for the prevention of modern slavery and expects its contractors to ensure that a safe and compliant workplace is provided for all workers on each of the Company’s sites, free from the risks of modern slavery.

4.3 The Company’s principal contractor, Renewi, regularly uses agency labour procured through third party providers to treat waste delivered to the Company for recycling, diversion from landfill and landfilling. All the Company’s suppliers are UK or EU companies.

4.4 The Authority and the Company have concluded that the greatest modern slavery risks lie within our supply chains and that we, in partnership with Renewi, would benefit from a higher degree of oversight in relation to our indirect suppliers and contractors, where the modern slavery risk is deemed higher. Renewi is committed to supporting Authority and the Company in identifying such potential risks and responding appropriately and this will be an area of focus for the Company's Board in the coming year.

4.5 All suppliers of labour, goods and services to the Company, via Renewi, must comply with relevant legislation and international standards as relevant to their industry, including, child and forced labour, health and safety of workers, non-discrimination, employment law, human rights, fraud, bribery and corruption. Where required by law, suppliers and Service Providers must produce an annual Modern Slavery Statement pursuant to section 54(1) of the Modern Slavery Act 2015.

4.6 Renewi takes action to ensure that suppliers comply with Renewi’s policies by screening significant suppliers on sustainability issues, including human rights and labour standards. To raise awareness of modern slavery and trafficking and of relevant policies and procedures, Renewi is developing an approach to train staff who are most likely to come into contact with modern slavery.

4.7 The majority of Renewi’s employees are engaged on permanent contracts. The Company has recognised that there is a potential risk of modern slavery for workers not in permanent employment, particularly the provision of temporary labour through recruitment agencies or managed service contracts. Renewi operates a preferred supplier list for the provision of direct temporary labour, contract workers and the recruitment of new employees and only works with recruitment agencies that share its stance against all forms of modern slavery. Any instances of modern slavery, or breaches or incidents of Health, Safety and
Environmental matters by or involving Service Providers are reported to the Renewi’s Board and appropriate action is taken.

4.8 Should any indicators of modern slavery be identified by the Company or Renewi, they would work with their suppliers to investigate and where appropriate, report to the necessary authorities. Should the Company consider a supplier or Service Provider has failed to comply with any of the above, it will undertake an automatic review of the supplier or Service Providers’ contract, resulting in appropriate action being taken for any breach, up to immediate termination of the contract. Similarly, should the Authority identify any indicators of modern slavery, it will ask the Company and/or Renewi as relevant to take appropriate action and report back.

5. **Staff Engagement**

5.1 The Authority staff (and those of the Constituent Councils when undertaking contract monitoring work for the Authority) have had initial training about how to identify modern slavery. The Authority will investigate how to best co-ordinate modern slavery awareness training in the future to minimise the risk of such activity continuing undetected.

5.2 The Company, ELWA Limited, does not employ any staff directly. However, ensuring the health, safety and wellbeing of its colleagues is crucial the Company’s success and this responsibility is taken very seriously. The health, safety, wellbeing and engagement of its people is a top priority for Renewi in particular, which has noted this starts with making sure its colleagues go home safely every day.

5.3 All Renewi’s staff must adhere to Renewi’s Code of Conduct, are treated fairly and equally, and are paid at least the national minimum wage. Renewi has assured the Authority that it complies with its obligations under the Working Time Regulations.

5.4 All sites are overseen by Renewi, which employs competent management teams to ensure optimum control of the work environment.

6. **Approval & Review**

6.1 This Modern Slavery Statement has been approved by the Authority at its Annual General Meeting, 2019. The Authority will review and update it annually.

Signed
Chair of the East London Waste Authority
28 June 2019
By virtue of paragraph(s) 3 of Part 1, Agenda Items 19, 20 & 21 Schedule 12A of the Local Government Act 1972 (as amended)

THESE DOCUMENTS ARE RESTRICTED
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