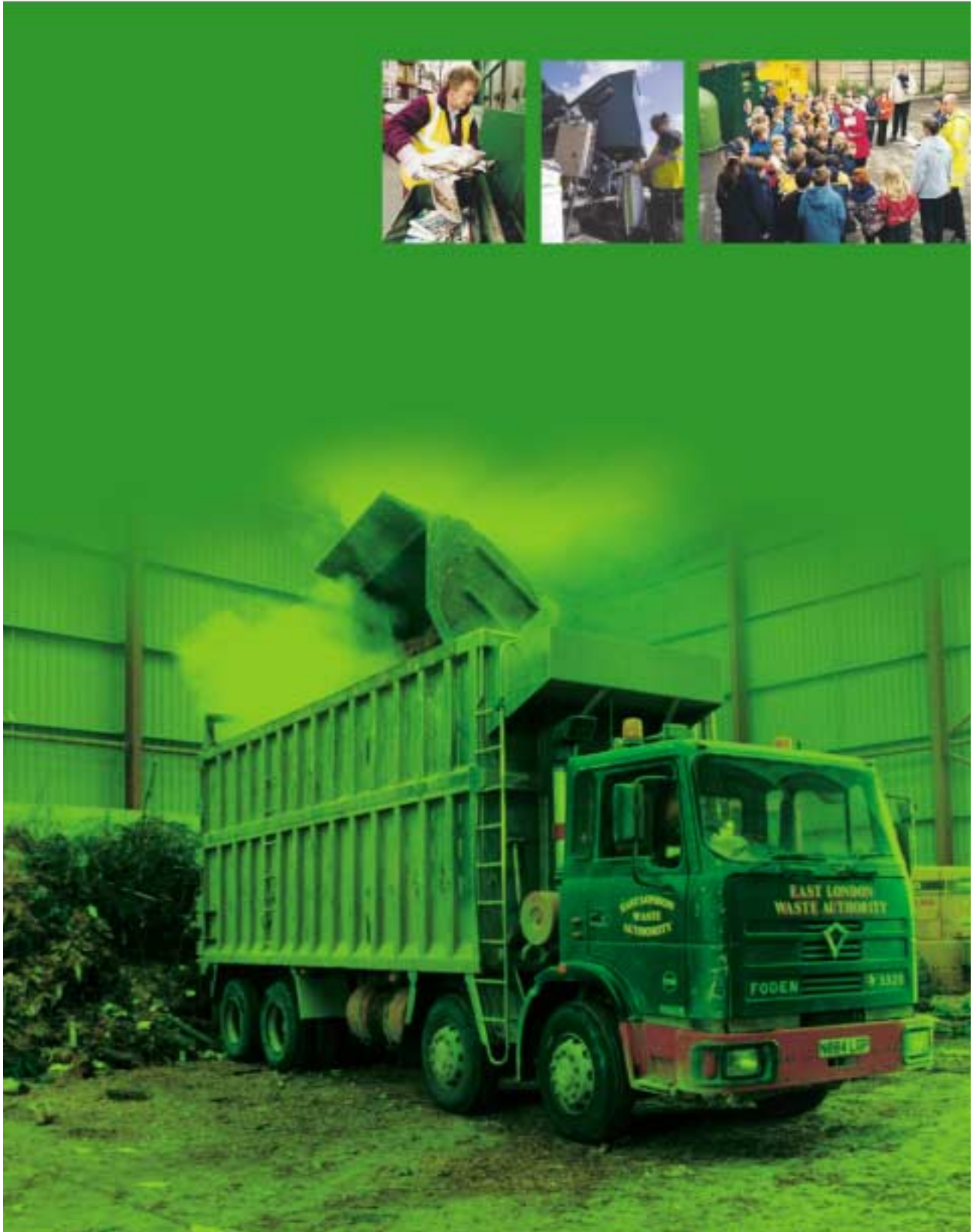


Following an audit of ELWA s Best Value Performance Plan for 2003/4, the following amendments have been made to the 2002/03 Actual BVPI data shown on page 20 of the document:-

- BV12 (Days sick per member of staff) — 2002/03 Actual s/be 16.38 days (and not 9.05 days as published)
- BV16 (Staff with disabilities) — 2002/03 Actual s/be 2.7% (and not 2.94% as published)
- BV17 (Staff from ethnic minorities) — 2002/03 Actual s/be 8.11% (and not 8.82% as published)



The East London Waste Authority Best Value Performance Plan 2003/04



Foreword



Welcome to the East London Waste Authority's (ELWA) fourth Best Value Performance Plan. This document tells you how we provide waste disposal services, what plans we have for the future and shows how we have measured up against the targets that were set last year.

Over the past three years, ELWA has made much needed changes to the way that rubbish is disposed of in our area. Following a thorough and careful contract tendering process, ELWA's 25-year Integrated Waste Management Service (IWMS) contract was awarded to Shanks Waste Services Limited in December 2002. Not only will this contract introduce new recycling services across the four boroughs of Barking & Dagenham, Havering, Newham and Redbridge but the waste that cannot be recycled will be processed via an eco-friendly technology that is unique to the UK.

ELWA and its four constituent councils are committed to improving the local environment for the benefit of all that live, work and visit the area. We have set ourselves challenging environmental targets and, with the help of the local community, we aim to provide a waste management service that is an example to the rest of London and to the UK as a whole.

ELWA would like to thank all those who commented on last year's Best Value Performance Plan. We are confident that this year's Plan will once again demonstrate our ability to meet the Government's aspirations under the Best Value regime and we would welcome any views on the services that we provide and our future plans.

Graham Farrant

Managing Director, East London Waste Authority

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Introduction

The Authority

ELWA was established on 1 January 1986 as a Statutory Waste Disposal Authority (WDA) by the Waste Regulation and Disposal (Authorities) Order 1985. ELWA began to carry out its functions on 1 April 1986, following the abolition of the Greater London Council.

ELWA is responsible for waste disposal in its area, which covers the four constituent London Borough Councils of Barking & Dagenham, Havering, Newham and Redbridge. The four councils are each responsible for waste collection in their areas.

The boroughs have a combined population of over 855,000 people living in approximately 340,000 households. ELWA receives around 550,000 tonnes of waste each year from the councils and their residents.

The principal legislation which governs ELWA's duties and activities is the Environmental Protection Act 1990 (the "EPA").

Members

ELWA comprises eight Members, with two Members appointed annually from each of the councils. These Members are councillors within their respective boroughs. Although the eight Members of ELWA are appointed by the councils they are required, when representing ELWA, to act in the interests of ELWA - as a WDA - and its residents and not of their respective councils.

ELWA Members:

- (i) Are, collectively, the ultimate policy-makers and those responsible for strategic and corporate management functions of ELWA as a WDA;
- (ii) Participate in the governance and management of ELWA;
- (iii) Are available to represent ELWA on other bodies; and
- (iv) Have a duty to maintain the highest standards of conduct and ethics and follow a Code of Conduct.

Operations

ELWA signed its 25-year Integrated Waste Management Service (IWMS) Contract with Shanks Waste Services Limited on 23 December 2002. From this date all of ELWA's operational assets, including its main Refuse Transfer Station site at Jenkins Lane, Barking, transferred into the new joint venture company, ELWA Limited. ELWA Limited also took over the operation and management of the four civic amenity sites in the area (at Frizlands Lane, Dagenham; Gerpins Lane, Upminster; Jenkins Lane, Barking; and Chigwell Road, Woodford), as well as the Ilford Recycling Centre and the recycling banks owned by the councils. Approximately 70 operational staff transferred to the new company in accordance with TUPE regulations.

Although the new company is registered as ELWA Limited, it operates under the name of "Shanks.east london", which is a better reflection of the partnership between ELWA, the four boroughs and Shanks.

Shanks.east london is responsible for the management and disposal of all waste presented to ELWA and the four councils. This includes waste collected from households each week by the councils, waste from street cleansing, waste deposited by members of the public visiting the civic amenity sites and from trade/commercial operators. In 2002/03 this amounted to over 550,000 tonnes.

Shanks' main proposals for dealing with this huge amount of waste include:

- significant improvements at all civic amenity sites, which are to be renamed Reuse and Recycling Centres
- moving waste off roads onto rail and possibly the river
- education and community campaigns to promote waste minimisation, recycling and recovery
- introduction of kerbside separation of recyclables for all households
- new Materials Recycling Facilities (MRFs), capable of increasing recycling to 33% by 2006
- diverting 67% of waste from landfill by 2016 through increased recycling and pre-treatment of waste.

ELWA also owns, and is responsible for, four closed landfill sites. While three of these sites have been inactive for many years, the site known as Aveley 1 is

still generating landfill gas that requires extraction and monitoring. ELWA does this by means of a joint venture company, Aveley Methane Limited (AML).

As part of ELWA's corporate governance arrangements, the Management Board has instigated a review of the Authority's future role in AML. This will include an assessment of the ability of the Authority to continue its present involvement in the company, its shareholding and obligations under the current company arrangements and the benefits of either continuing or ceasing the Authority's involvement in the company.

In addition, the Management Board has also asked for a "Closed Landfill Site Strategy" to be drawn up to enable the Authority to properly consider its current obligations and possible future options for these sites.

Waste Trends

The table below shows how waste levels in the ELWA area have increased over the last 10 years. The level of increase is typical of what has happened nationwide.

Growth in Waste (excluding recycling) 1994/95-2003/04

Year Ending	Status	Tonnes (000's)	Annual Increase
1994/95	Actual	416	1.0%
1995/96	Actual	420	1.0%
1996/97	Actual	440	4.8%
1997/98	Actual	465	5.7%
1998/99	Actual	475	2.2%
1999/00	Actual	508	6.9%
2000/01	Actual	511	0.1%
2001/02	Actual	517	1.2%
2002/03	Actual	532	2.9%
2003/04	Projected	548	3.0%

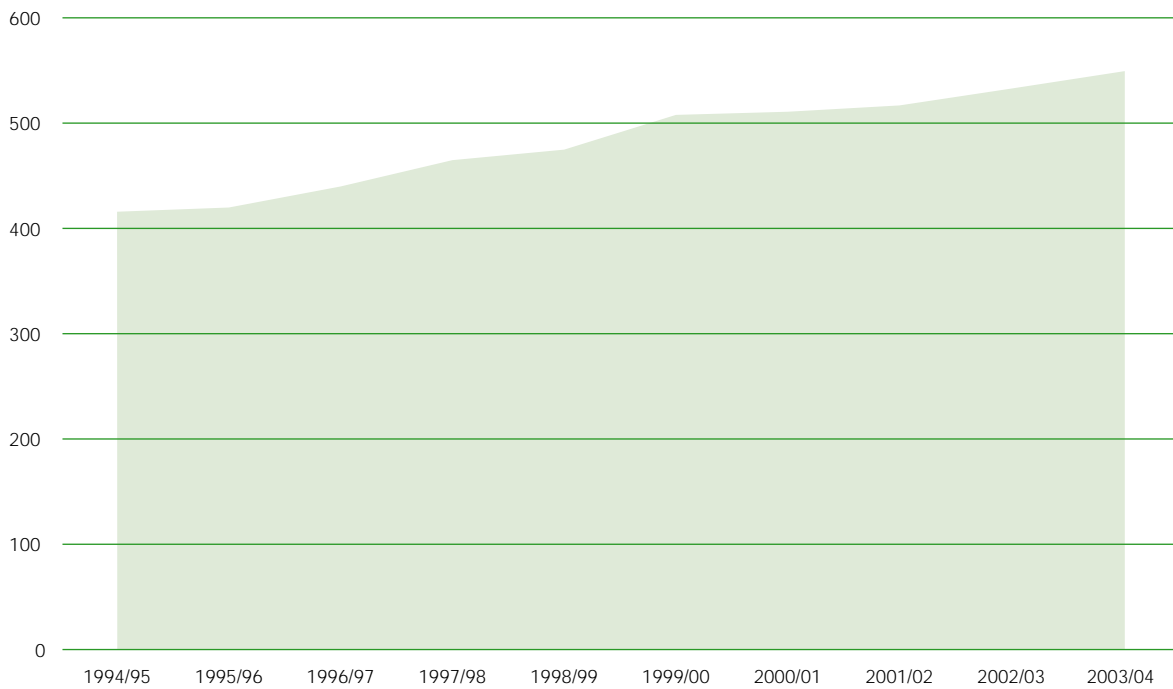
Finances

ELWA is primarily financed by an annual levy on its constituent councils. In 2003/04 the levy is £27.078m, with a further £2.397m being raised by a separate charge on the councils for dealing with non-household waste. In 2002/03 these figures were £21.393m and £1.807m respectively.

The levy increase of 26.6% relates to costs transferred from the councils, such as the running of the civic amenity sites (6.3%), additional fridge disposal costs (2%), projected waste growth (4%), inflation (2%), landfill tax increase (2%), new measures to significantly improve recycling levels (2%) and contributions to revenue reserves and contingency budgets (8.3%).



Growth in Waste



Best Value

Best Value is a key element in the Government's plans for modernising local government. Since April 2000 ELWA, along with all other local authorities, has had a duty to obtain best value in the provision of its services. Until recently, local authorities were required to carry out reviews of all services over a five-year programme. Although this requirement no longer applies, authorities still have to undertake reviews of their various services, with the aim of ensuring that these services continue to be what local people need and that they are being delivered as efficiently as possible.

Our Approach

The introduction of the best value legislation and guidance means that ELWA is now able to implement a best value approach to all of its activities. We believe that the approach that we adopted in developing our integrated waste management strategy and contract, which began in 1996, is an excellent early example of best value in practice. The reasons for, and the methods by which, services are provided were challenged, performance was compared with other authorities and private sector bodies, local people and interested groups were consulted and finally an innovative procurement route followed.

The new contract represents an innovative public/private partnership with a private contractor, supported by the councils and the Government via funding under the Private Finance Initiative (PFI). This will provide a significant aid to achieving best value by:

- introducing private sector commercial skills and attitudes
- introducing vital new private and public sector financing
- minimising the adverse effects of the landfill tax

- maximising environmental benefits, including links to community initiatives in each borough
- retaining the substantial local authority experience in this area, particularly around issues of environmental performance, probity and community involvement
- providing a holistic approach to both collection and disposal of waste.

The best value legislation and guidance provides a proper framework on which to build on this early experience, but we are aware of the work that we need to do before we can satisfy ourselves that the best value principles are being applied to every area of our business.

Many of ELWA's previous areas of responsibility, such as the running of the Refuse Transfer Station at Jenkins Lane, Barking, and the arrangements for the disposal of the waste, have now transferred to Shanks.east london under the IWMS contract. To ensure that best value continues to be achieved in these areas, there are provisions in the contract which require the contractor to reflect best value in the approach and provision of the services. This includes the contractor providing ELWA with annual and five-yearly service delivery plans which include proposed changes to the way that services are delivered to achieve continuous improvement in environmental terms and better value for money for ELWA, the constituent councils and local residents.

The Authority is aware however that best value principles stretch to all aspects of its business. Now that the contract is let, the Authority's responsibility as a client has been greatly increased and with it has come the need to establish a strong client base to monitor the work of the contractor. ELWA has also recognised the need to maintain a strong focus on its corporate planning and strategic decision-making structures and, to this end, is developing a constitution which will establish the framework for

decision-making and the rules by which the Authority's members and officers are governed. Furthermore, we are determined to improve links between our vision and the community strategies and corporate planning processes of the four constituent councils.

Equality

East London has the distinction of being one of the most culturally diverse areas in the country. It is also an area with low-income households with the associated pressures on environmental standards, educational achievement and social exclusion. In these circumstances ELWA has a role to play by ensuring our services are accessible on an equal basis.

Equality and economic regeneration will play an important part in how we plan future waste disposal options. In addition, greater emphasis has to be placed on promotion and education to encourage greater levels of waste reduction and recycling and it is crucial that this is aimed at all sections of the community.



ELWA's Objectives

Our Vision is:

“To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value.”

This aim will be delivered primarily through the implementation of the IWMS contract. The original objectives within the IWMS were as follows:

- (i) The services shall be both reliable and achievable in terms of managing and disposing of the waste;
- (ii) The services shall be environmentally and economically sustainable in terms of:
 - encouraging waste minimisation initiatives by providing an education service throughout the term of the contract
 - seeking to maximise waste recycling and composting opportunities potentially supported by recovery of energy
 - contributing to local economic development.
- (iii) The most cost effective delivery of the services;
- (iv) The services shall be sufficiently diverse and flexible and not dependent upon a single method of waste treatment so as to ensure that ELWA complies with its statutory duty to dispose of waste.

To reflect changing central and local government priorities, these objectives were supplemented by a requirement on the IWMS contractor to achieve the following targets:

- 25% recycling/composting in the period 2005/06 to 2009/10
- 30% recycling/composting in the period 2010/11 to 2014/15
- 33% recycling/composting in the period from 2015/16
- 40% recovery in the period 2007/08 to 2009/10
- 45% recovery in the period 2010/11 to 2014/15
- 67% recovery in the period from 2015/16.

ELWA believes that these objectives :

- reflect the corporate policies and aspirations of the constituent councils
- are consistent with EU and UK government policies on waste management
- reflect the long term regional and local context
- show engagement of local people in the decision-making process
- show an innovative approach to procurement
- provide a good foundation for a culture of continual improvement.

ELWA's Approach to Efficiency and Improvement

In its work in developing the IWMS, ELWA has particularly tried to embrace the principles of the 4 Cs - challenge, compare, consult and compete.

Challenge - The waste management industry faces considerable challenges over the next few decades. Waste continues to grow year on year and our ability to process it in a sustainable manner is becoming increasingly difficult. The Government has set all local authorities ambitious targets for better waste management. This has resulted in ELWA defining a totally new approach to the way it intends to handle the waste. Currently, almost 90% of the waste is sent to landfill sites. This is clearly unsustainable both from an environmental and financial point of view. By challenging the traditional arrangements an innovative solution has been found.

Technological and market improvements have meant that solutions other than landfill can be realistically considered, thereby providing the platform for considerable environmental improvement. In addition, groundbreaking work on the development of ELWA's contract procurement strategy has resulted in a deal that brings significant financial benefit to ELWA. Ultimately, the real winners will be the local people who will receive a more sustainable service and benefit from an improved environmental performance. ELWA also needs to challenge its own internal mechanisms and the way that these work, which are outside of the scope of the IWMS contract. For example, a new staffing structure has been implemented to ensure effective monitoring of the contract and other day-to-day activities.

Compare - Comparison between Waste Disposal Authorities is being developed through the WDA Benchmarking group. The tendering process allowed a thorough comparison of private sector proposals. The performance information now available to ELWA via the IWMS contract will also provide a valuable tool to measure in far greater detail than before the way that the new service is being operated in comparison with other waste management services

that are delivered to local authorities by the private sector.

Consult - ELWA is keen to develop an effective public consultation strategy and wishes to build on its previous work in this area. In 1996 we conducted a major two-stage consultation exercise over proposals for the IWMS. Over 20,000 consultation documents were sent out to residents, businesses and other interested parties. Whilst the level of response was low, the exercise was an important learning experience. We are confident that the lessons learnt and experiences passed on by the constituent councils will enable us to consult more successfully in the future, particularly around best value and service delivery improvements.

As well as using our best value plans as a means of communicating with the local community, the Authority has also published two editions of its "Waste Solutions" newspaper, which were delivered to every household in the ELWA area. The newspapers included details of the latest issues affecting the Authority and its future proposals. The third edition, which is to be published in Summer 2003, will include details of the redevelopment of the civic amenity sites into Reuse & Recycling Centres, and other general issues.

Finding out what our customers want from our services and how they think we are performing is important to ELWA. We are keen to develop innovative consultative arrangements, in partnership with our IWMS contractor, the constituent councils, local environmental groups and businesses. One aspect of this will be the work undertaken by Shanks.east london's communications team. The team has established an annual work programme for consulting and communicating with the local community as a means of identifying the services that are required and expected and how the local community can play its part in the successful delivery of any such service improvements. This will include user and perception surveys which will be carried out

during the year and a joint ELWA/Shanks stand at borough Town Shows where a team will be on hand to answer visitor's questions about our future plans, particularly in respect of recycling, and to generally raise the profile of the service.

Compete - At an early stage ELWA was convinced that the new contract could only be delivered with the significant involvement of the private sector. A number of factors influenced this decision: there is a reputable and well-developed market for these services; the suppliers are national/multi-national concerns and the service required significant capital investment. The selection of Shanks Waste Services Limited followed a 2¹/₂ year contract procurement process that involved four main short-listing stages, with strong competition at each stage.

Continuous Improvement

The Government has set targets for increased efficiency for all public services and requires that local authorities achieve the top quartile within five years for a range of performance indicators. Although ELWA's annual costs have risen year on year, these rises have been mainly attributable to increased tonnage levels being presented by the councils for disposal, increases in the rate of landfill tax and annual indexation of our disposal contracts. Financial uncertainty has been reduced with the letting of the IWMS contract. The financial basis for operating the contract has been fixed for the duration of the 25-year contract term to the extent that the Authority is now in a position to prepare medium term financial plans. This greater certainty over finances has also allowed the Authority to set aside funds from the PFI revenue to meet stepped increases in the contract payments when new services and facilities are brought on line.

The contract also requires Shanks.east london to demonstrate continuous improvement in the way that services are delivered, which will in turn provide improved value for money.

A further improvement to the way that the Authority runs itself has been a review of its internal structure and decision-making arrangements. The culmination of this work has been the development of a formal constitution for ELWA, which is expected to be published in summer 2003.



Current Services and Performance

Integrated Waste Management Service

Before the commencement of the IWMS contract, ELWA performed the management and disposal functions primarily through the operation of a Refuse Transfer Station (RTS) at Jenkins Lane, Barking and two major landfill contracts with private operators.

With the award of the contract to Shanks Waste Services Limited, the management of this service is now being provided by Shanks.east london. On taking over the service, Shanks.east london continued to operate in much the same way as ELWA had done in the past, with the majority of the waste received via the boroughs being compacted into roll on-off containers and transported by road to landfill sites in the nearby area. However, six months into the new contract, service improvements have already been achieved with an overhaul of the RTS site to facilitate the containerisation of waste for onward transportation by rail. Once fully operational, this will have a dramatic impact on the number and duration of traffic movements in what is already a heavily congested area. The moving of waste off the road and on to rail is also a significant step towards the commitment of ELWA and Shanks to deal with waste in a more environmentally friendly and acceptable manner.

Other new developments include the proposal to upgrade the four civic amenity sites, previously run by the councils but now under the management of Shanks.east london, into Reuse and Recycling Centres, which will provide extensive recycling facilities for visitors to the sites to use. These proposals are currently progressing through the planning application stage but it is hoped that the programme of upgrades will be completed by the end of 2003.

Set out below is a summary of Shanks' main proposals for the new service:

- education and community campaigns to promote waste minimisation, recycling and recovery
- introduction of kerbside separation of recyclables for all households
- significant improvements at all civic amenity sites, which are to be renamed Reuse and Recycling Centres
- local treatment of all collected waste in biological processes to dry and stabilise waste, reduce its weight and to allow separation of materials for recycling (Bio-MRFs) - through major new facilities at Jenkins Lane and Frog Island
- production of secondary fuel from waste which has been treated and cannot be recycled - to be used to generate energy in existing facilities, displacing the need to burn fossil fuels
- moving waste off roads onto rail and possibly the river
- increased recovery and recycling - to beat local and national targets
- £100 million investment in sustainable waste management for the ELWA area
- existing employment safeguarded and transferred to new service
- nearly 100 new jobs
- new education and visitors centres
- dedicated Community and Education Liaison Officers
- no new incineration in the ELWA area.

In 2002/03 ELWA (and Shanks.east london from 24 December) handled over 550,000 tonnes of waste. Of this over 35,000 tonnes was sent for recycling or composting with the remainder sent either to landfill (87.5%) or to the LondonWaste plant at Edmonton for incineration (6.4%).

The cost of the service in 2002/03 was approximately £25.5m, most of which related to the fees and taxes charged for disposing of the waste, transportation and the running of the RTS at Jenkins Lane. There were additional significant areas of expenditure during the year relating to consultancy fees in respect of the IWMS contract and also the cost of dealing with refrigerators. These matters are covered in more detail later in this report.

The majority of the total waste was received from households, but other sources include street cleansing and open space waste and waste from businesses.

In the past, waste suitable for recycling, such as paper and glass collected from 'bring banks' situated in the boroughs, was sent directly to a recycling processor by the councils and was not presented to ELWA. Under the new IWMS arrangements, Shanks.east london is responsible for dealing with all waste that ELWA as a statutory Waste Disposal Authority has a responsibility for, with the exception of recyclable materials that are handled separately by Cleanaway Limited under a special arrangement with Havering Council that continues until 31 March 2004.

This bringing together of the waste streams will enable Shanks.east london to implement a more co-ordinated approach to waste management across the area and achieve economies of scale that were not previously open to ELWA and the four councils.

The graph on page 13 shows how the levels of recycling and recovery will increase over the term of the contract as new kerbside collection arrangements are introduced and the main facilities for processing the waste are brought on line. The graph also shows how the recycling and recovery levels compare with the Government's targets in the National Waste Strategy.

In response to its new role within the waste management service, the Authority has put in place new client monitoring arrangements to ensure that

the new service is being operated in accordance with the contract and that local residents are receiving value for money. ELWA's internal management structure has been revised in the light of the change in responsibilities and a new post of Contract Manager has been established with the role of implementing the contract monitoring arrangements and co-ordinating performance management information.

Discussions are also taking place with the councils to formalise the contract monitoring arrangements which will see, at least for the short term, council staff being jointly responsible for day-to-day monitoring. This approach will enable the councils, which are still seen by the majority of the general public as the front-line service provider, to keep a handle on what is happening in their boroughs while at the same time providing ELWA with a valuable additional resource. These monitoring arrangements will be kept under constant review.

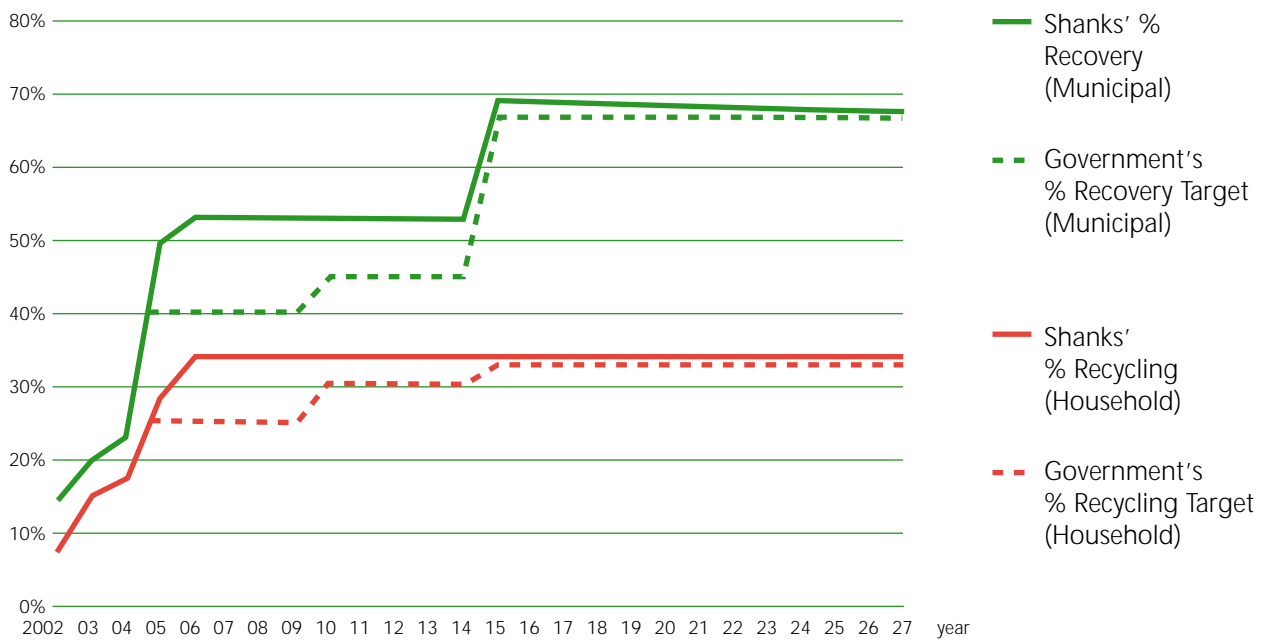
Other Issues

As referred to above, there were two significant areas of expenditure during 2002/03 in addition to the usual operational costs.

IWMS Contract Consultancy Fees

ELWA's 25-year IWMS contract is the largest waste management PFI contract in the UK. At current day prices the contract has a value of over £1 billion and capital expenditure will be in the region of £130 million. As with any contract of this size, but particularly in view of the support via the Private Finance Initiative, there is a need for professional advice on the range of financial, legal and technical issues that make up the whole deal.

The Authority appointed PricewaterhouseCoopers as its project/financial adviser and Wragge & Co as its legal adviser at the commencement of the contract procurement process. Babtie Group was appointed to provide technical advice to the Authority during the evaluation of tender submissions.



Expenditure in 2002/03 totalled around £625,000. Although the Authority had made provision in its revenue and contingency budgets the sum represented a significant area of expenditure over and above what would be expected in a 'normal' year.

Over the 2¹/₂ year procurement process the Authority's expenditure on external professional advice amounted to approximately £1.8m. This compares favourably with guidance issued by the Government's 4Ps Unit which recommends that authorities pursuing PFI contracts should set aside between 1¹/₄% - 1³/₄% of the capital cost of the project for external professional advice, which in ELWA's case equates to between £1.6m - £2.2m. The Authority also fared well in comparison to other similar projects in terms of the time between the appointment of Preferred Bidder stage and contract signing, which in ELWA's case was approximately nine months against an average of 1-2 years.

Refrigerator Disposal

The Ozone Depleting Substances Regulation introduced new requirements for the removal of hazardous foams from fridges and freezers. Although the EU had passed the regulation in 2000, its full implications did not become apparent until shortly before the regulation was transposed into UK law on 1 January 2002. As a result, local authorities in the UK were no longer able to dispose of the units as they had before and because of the costs involved in treating and disposing of the units under the new legislation, the retail industry stopped operating "take back" schemes for old units. To compound the problem, there were no licensed facilities in the UK that had the systems in place to remove the hazardous foams in accordance with the regulation, which meant that the units either had to be stored or sent to mainland Europe for treatment and disposal.

The impact of the new regulation saw a dramatic increase in the number of units being presented to ELWA for disposal and an even greater increase in the unit cost of disposal. In previous years, ELWA could typically have expected to receive around 600 units each month. Since the new regulation came into force and the retailers abandoned the “take back” schemes, ELWA has been receiving an average of 3,000 units each month and the cost of disposal has increased to around £20 - £25 per unit.

In 2002/03 the total cost to ELWA for the storage, handling, transportation and treatment/disposal of refrigerators amounted to over £1.1m. Only a couple of years ago the annual bill would have been less than £10,000. In anticipation of the problem, the Authority had set aside £300,000 in its 2002/03 estimates to deal with refrigerator costs in the knowledge that the Government had announced that financial support would be given to authorities during the year to meet the massive increase in expenditure in this area. The Government ultimately approved an extra £40m funding for local authorities, with the allocation to the ELWA area amounting to £885,499.

Unfortunately, the allocation by Government of this extra funding was not settled until late in the year and the problem was further exacerbated by the fact that the extra funding was allocated to the constituent councils, rather than to ELWA who was incurring the expenditure. This placed the Authority in a very difficult financial position to the extent that had the constituent councils not unanimously agreed to transfer the funding to ELWA under special discretionary powers, ELWA may well have exceeded its available resources for the 2002/03 financial year. In response to this threat, ELWA's Finance Director submitted a report, under Section 114(3) of the Local Government Finance Act 1988, to the Authority's meeting in December 2002 warning of the potential overspend.

It is understood that the Government will make some additional provision in the annual Standard Spending Assessment (SSA) settlements to the constituent councils to contribute to the future increased costs associated with the disposal of refrigerators. ELWA will then recover this via the annual levy process.



Best Value Reviews and Review Programme

Best value reviews are designed to be the principal means by which authorities consider new approaches to service delivery and set demanding performance targets for all services in order to deliver continuous improvement. Previously, best value legislation placed a requirement on local authorities to review all of their functions in a five-year cycle. While the duty to carry out reviews remains, the law was amended in March 2002 to remove the requirement to carry out reviews within a specified time period.

In the past the Authority had set itself the review programme shown in the table below.

Due to the considerable amount of work and effort involved in the finalisation of the IWMS contract it was not possible to maintain this programme. However, this has allowed any new arrangements to be considered in conjunction with the partnership arrangements with Shanks under the IWMS contract.

Organisational Structure and Management Arrangements Review

With the letting of the IWMS contract, the Authority's role as the direct provider for the waste management service transferred to Shanks. Although ELWA remains as the statutory WDA, its key role is now to manage the contract with Shanks. east london delivering the waste disposal service. With this change in focus, it was important for the Authority to establish arrangements which would enable it to fulfil its obligations to the constituent councils and local residents by ensuring that the terms of the contract were being applied and that the new service was meeting its targets.

The organisational structure and management arrangements within the Authority had remained largely unchanged since ELWA's inception in 1986.

Date	Review Area	Reason for Review
2001/02	Organisational structure, management arrangements, corporate and decision-making framework	It is possible to improve existing arrangements to achieve better clarity in setting corporate objectives. Need to set best value firmly in the day to day business of ELWA and create a climate in which continual improvement can thrive
	Employment policies and procedures	ELWA currently adopts constituent policies
2002/03	Contract administration	To check effectiveness of the new contract, including monitoring systems
2003/04	Contractor's performance	To identify effectiveness of performance against contractual targets
2004/05	Operational Service provision (including civic amenity sites, Jenkins Lane Refuse Transfer Station and closed landfill sites)	Periodic review of parts of service provided by contractor under the IWMS contract

It was therefore important to bring these arrangements up-to-date while at the same time maintaining the strong relationship that had been developed over the years with ELWA's constituent councils.

Working within the statutory requirements for WDAs, in terms of membership and officer roles, ELWA agreed a new organisational structure in February 2003. The new structure maintains the overall responsibility of Members and Directors in respect of the corporate governance of the Authority, while strengthening the day-to-day management of the Authority through the creation of a new Executive Director position. The Executive Director, supported by a General Manager, Office Manager and Contract Manager, will play a lead executive role in the Authority's management, administration and service delivery. The corporate management arrangements that were adopted in respect of the procurement of the IWMS contract have been revised to reflect the new status, with the IWMS Project Board being replaced by the ELWA Management Board with responsibility for maintaining a general overview of the state of health of the Authority. The longstanding agency arrangements with the constituent councils regarding the employment of the Authority's officers and the provision of legal, financial and audit support services, will continue.

These arrangements will be reviewed within two years to ensure their continued effectiveness within the organisation.

Corporate and Decision-Making Framework

To coincide with the organisational review an appraisal of the Authority's corporate and internal decision-making arrangements has been undertaken. The culmination of the work has been the creation of a formal constitution for the Authority. ELWA's constitution, which is currently at the draft stage but which is due to be adopted in June 2003, aims to:

- explain how ELWA operates, how decisions are made and the procedures which are in place to ensure efficient, effective, transparent and accountable decision taking
- ensure that high standards of conduct are exercised by Members and officers
- ensure that those responsible for decision making are clearly identifiable to local people and that they explain the reasons for decisions
- provide a means of improving the delivery of services to the community.

ELWA's constitution has been produced in accordance with the Local Government Act 2000. Although ELWA and the other five statutory WDAs are not bound by the LGA 2000, the Authority agreed to follow the spirit of the provisions as a means of enhancing its open approach to service delivery and the relationship with the local community.

Employment Policies and Procedures

Since ELWA's inception, employees working on behalf of the Authority have been employed by one or other of the constituent councils under agency arrangements. The letting of the IWMS contract gave the Authority the opportunity to review this arrangement, with the principal option being for the Authority to directly employ its own staff. However, as part of the consideration of the organisational structure referred to above, the Authority has decided, at least for the time being, to continue with the agency arrangements with the councils.

Contract Administration

The principal arrangements for the administration of the IWMS contract will be determined in the Authority's constitution, with clear lines of

responsibility between the Authority as a whole, the four Appointed Officers (the Managing Director, the Finance Director, the Technical Director and the Operations Director) and the Executive Director. These lines of responsibility can also be extended to other officers within the Authority's structure and these will be considered over the next few months as the new contract and structure arrangements bed down.

In terms of contract monitoring arrangements, discussions have been held between ELWA and council officers as to the best approach to adopt in the short, medium and long term. Under the IWMS contract the borough civic amenity sites and bring banks have transferred to Shanks.east london. The councils continue to have an interest, along with ELWA, in how these services are provided, particularly in view of the fact that these facilities are provided for the use and benefit of the local community. Therefore, in order to benefit from the expertise and significantly larger resource base within the councils, it has been agreed that council officers will support ELWA in the day-to-day monitoring of the contract. The alternative option would be for ELWA to establish a larger in-house monitoring team but it is considered that, if successful, the role of the council officers in the monitoring of the contract will have the added advantage of strengthening the link between ELWA and the councils. These arrangements, which are to be fully funded by ELWA, will be reviewed within 12 months in order to assess their effectiveness.



External Audit

Best Value Performance Plan 2002/03

Following the publication of our Best Value Performance Plan for 2002/03, ELWA's external auditor was required to carry out an audit of the plan in accordance with Section 7 of the Local Government Act 1999 and the Audit Commission's Code of Audit Practice.

The main purpose of the auditor's work was to:

- report whether the plan has been prepared and published in accordance with statutory requirements and, if not, to recommend how the plan should be amended
- recommend, where appropriate, procedures to be followed in relation to the plan
- recommend whether the Audit Commission should carry out a best value inspection of the Authority
- recommend whether the Secretary of State should give a direction under Section 15 of the aforementioned Act.

ELWA was very pleased to learn that the District Auditor gave an unqualified opinion that the Plan for 2002/03 had been prepared and published in accordance with statutory requirements and that he did not consider it appropriate to make any recommendations to the Audit Commission or the Secretary of State.

Audit of Accounts 2001/02

The District Auditor also gave an unqualified audit opinion in respect of the Authority's accounts for the year ended 31 March 2002.

In his Annual Audit Letter to the Authority, the auditor noted that the Authority's financial health had deteriorated in 2002/03 but he welcomed the package of measures that had been approved by the Authority to bring the revenue position back into balance by the year end.

During the year, the auditor had also been consulted regarding the proposed accounting treatment for the IWMS PFI contract and concluded that, based on the evidence provided to him, he was not minded to challenge the Authority's accounts on this basis.

A copy of the District Auditor's Annual Audit Letter for 2001/02, which incorporates the Best Value Statutory Report for 2002/03, is available on the ELWA web-site (www.eastlondonwaste.gov.uk) or by contacting Alan Dawson, ELWA Office Manager, on 020 8270 4964.

Performance Indicators and Targets

From 1 April 2000, ELWA has had a statutory duty to collect Best Value Performance Indicators (BVPIs). Our past performance and targets for 2003/04 are shown below.

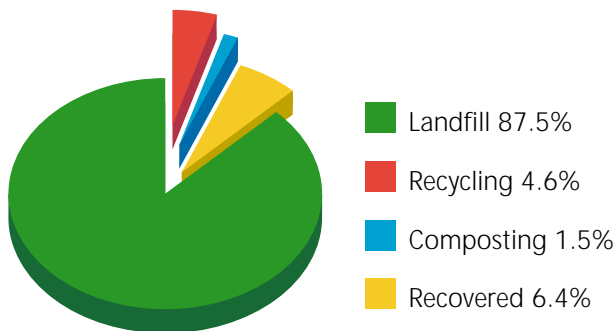
Statutory Best Value Performance Indicators

BVPI Code	Description	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual	2003/04 Target	2004/05 Target	2005/06 Target	Comments
Environment BVPI's									
BV82a	Total tonnage of household waste arisings - percentage recycled	6.9%	5.9%	6.5%	4.6%	8%	9%	12%	The Government has set ELWA a combined recycling and composting target of 10% for 2003/4 & 2004/05 and 18% for 2005/06. An explanation of the variances between the target and actual figures for 2002/03 is given below.
BV82b	Total tonnage of household waste arisings - percentage composted	1.0%	1.6%	2.5%	1.5%	2%	3%	6%	
BV82c	Total tonnage of household waste arisings - percentage used to recover heat, power and other energy sources	4.1%	6.6%	7.5%	6.4%	7.5%	7.5%	7.5%	
BV82d	Total tonnage of household waste arisings - percentage landfilled	88.0%	85.9%	83.5%	87.5%	82.5%	80.5%	74.5%	
BV84	Kg of household waste collected per head	507kg	528kg*	530kg	553kg	570kg	587kg	605kg	This represents a projected 3% rate of growth for 2003/04 - 2005/06.
BV87	Cost of waste disposal per tonne for municipal waste	£36.79	£39.17*	£42.50	£42.62	£52.05	£57.25	£63.00	This represents a projected 10% increase for 2004/05 - 2005/06 to reflect increased Landfill Tax, tonnage levels and inflation.
Corporate Health Indicators									
BV11	The percentage of senior management posts filled by women	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	16.7%	Indicator no longer required but retained by ELWA in view of comments on BV11a below. This represents 1 Director from a total of 6 senior managers.
BV11a	The percentage of top 5% of earners that are women	N/A	N/A	Not set	N/A	Not set	Not set	Not set	ELWA does not directly employ any staff. Also, ELWA Directors are not paid a salary for their work on the Authority.
BV11b	The percentage of top 5% of earners from black and minority ethnic communities	N/A	N/A	Not set	N/A	Not set	Not set	Not set	See explanation above.

BVPI Code	Description	2000/01 Actual	2001/02 Actual	2002/03 Target	2002/03 Actual	2003/04 Target	2004/05 Target	2005/06 Target	Comments
BV12	The proportion of working days/ shifts lost to sickness absence	8.9 days	14.25 days*	10 days	9.05 days	3 days	3 days	3 days	From 24.12.02, the majority of employees working on behalf of ELWA transferred to a private company. The target for 2003/04 relates to the full-time office staff employed on behalf of ELWA.
BV14	Early retirements (excluding ill-health retirements) as a percentage of the total workforce over 50 years of age	0%	2.63%	0%	0%	0%	0%	0%	See comments for BV12.
BV15	Ill health retirements as a percentage of the total workforce	2.9%	0%	0%	0%	0%	0%	0%	See comments for BV12.
BV16	The number of staff declaring that they meet the Disability Discrimination Act disability definition as a percentage of the total workforce	0%	2.63%	2.63%	2.94%	0%	0%	0%	See comments for BV12.
	compared with: % of economically active (defined as persons aged 18 to 65) disabled people in authority area	N/A	N/A	N/A	14.85%	14.85%	14.85%	14.85%	
BV17	Minority ethnic community staff as a percentage of the total workforce	9.7%	7.89%	7.89%	8.82%	0%	0%	0%	See comments for BV12.
	compared with: % of economically active (defined as persons aged 18 to 65) minority ethnic community population in authority area	N/A	N/A	N/A	31.2%	31.2%	31.2%	31.2%	
BV156	Percentage of authority buildings open to the public in which all areas are suitable for and accessible to disabled people	N/A	0%	0%	N/A	Not set	Not set	Not set	ELWA does not own any buildings that are open to the public
BV157	Percentage of interactions with the public, by type, which are capable of electronic service delivery and which are being delivered using internet protocols or other paperless methods	N/A	100%	100%	100%	100%	100%	100%	

* Information published in 2002/03 Best Value Performance Plan amended following external audit review.

Waste Disposal Method 2002/03



Performance against 2002/03 Targets and Targets for 2003/04

BVPIs 82a-d

ELWA previously showed a 0% level of recycling because the recycling carried out in the area had been solely attributed to the individual councils. The new method of calculation of recycling and composting rates for ELWA, which was introduced in 2002, means that the efforts of the constituent councils, as waste collection authorities, are now averaged and also included in ELWA's figure. This provides a much clearer picture of recycling across the whole ELWA area. It is acknowledged that the vast majority of the recycling and composting is directly carried out by the councils, but many of these activities are supported by ELWA in one way or another.

ELWA's performance against the targets for 2002/03 for recycling, composting and recovery was lower than expected, which had the knock-on effect of increasing the level of waste landfilled. The main reasons for this are twofold. First, the levels of recycling and composting achieved via Havering Council's "In the Bag" recycling project were considerably lower than projected. Second, the later than expected commencement of ELWA's IWMS contract (it was projected last year that the contract would commence in late summer 2002) meant that the gains that the new service was expected to bring

about in the latter part of the year will not now be realised until 2003/04. Despite this, ELWA is confident that the recycling and composting targets that have been set for 2003/04 will be achieved via the new measures under the IWMS contract.

Indeed, the IWMS contract requires the contractor to achieve a recycling/composting rate in conjunction with the councils of at least 12% in 2003/04 and 25% in 2005/06. These targets and also the target for the diversion of waste from landfill, are set at increasingly higher levels in future years, in line with the Government's National Waste Strategy. Under best value legislation, ELWA and the constituent councils have to meet targets for recycling set by the Government. These targets are based on the level of performance in previous years and differ for each authority. The IWMS contractor will be responsible for all of the waste that is collected by the councils and because there are practical difficulties of identifying the precise level of recycling for each council, ELWA is currently seeking confirmation from the Department of The Environment, Fisheries and Rural Affairs (DEFRA) to a pooling of these government targets across the area.

BVPI 84

The target for 2003/04 has been set to reflect a realistic projection of natural waste growth of approximately 3% in the area over a full year.

BVPI 87

The projected cost per tonne increase in 2003/04 to £52.05 is reflective of the additional costs faced by the Authority, which are explained in more detail in section 1 of this document.

BVPIs 12, 14, 15, 16 & 17

In previous years, the calculation of actual performance and targets included the staff that were employed by Newham Council on ELWA's behalf at the main operational base at the Refuse Transfer Station at Jenkins Lane. On the commencement of the IWMS contract, these staff transferred to the

contractor and are therefore no longer the responsibility of Newham/ELWA. The target figure for 2003/04, and future years, will therefore only relate to those staff that continue to be employed on a full-time basis on ELWA's behalf.

Local Performance Indicators

In the past, the Authority published some local performance indicators alongside those covered by legislation.

Under the performance monitoring arrangements within the IWMS contract, Shanks.east london is required to regularly report on a range of performance data such as vehicle turnaround times, payloads and vehicle journeys. The implementation of a new performance management computer system, known as the TIM system, at each of the main sites will enable this information to be widely available and ELWA and Shanks officers are currently working on the development of a new range of local Performance Indicators for publication.

WDA Benchmarking

A positive development in the area of performance monitoring has been the creation of a benchmarking group, made up of ELWA and the other five statutory waste disposal authorities (SWDAs) which are: Merseyside (MWA), Greater Manchester (GMWA), West London (WLWA), Western Riverside (WRWA) and North London (NLWA). We are confident this will lead to a better understanding of comparative performance and stimulate positive debate between the authorities.

Set out below is comparative performance data for ELWA and the other five SWDAs for 2001/02 in relation to the most relevant BVPI Environmental Indicators. It should be stressed, however, that the figures cannot be considered in isolation as the methods of operation and disposal vary greatly between the SWDAs and these issues need to be taken into account when making clear comparisons. It is hoped that the level of detail available to make worthwhile comparisons will be expanded in the future.

BVPI Code	Description	2001/02 Actuals					
		ELWA	WLWA	NLWA	WRWA	MWA	GMWA
BV82a	Total tonnage of household waste arisings - percentage recycled	5.90%	10.58%	7.24%	8.86%	5.01%	5.07%
BV82b	Total tonnage of household waste arisings - percentage composted	1.60%	1.54%	1.09%	0.57%	1.63%	1.55%
BV82c	Total tonnage of household waste arisings - percentage used to recover heat, power and other energy sources	6.60%	0.08%	44.02%	0.06%	0.08%	5.18%
BV82d	Total tonnage of household waste arisings - percentage landfilled	85.90%	87.80%	47.65%	90.51%	93.28%	87.00%
BV84	Kg of household waste collected per head	528 kg	439 kg	458 kg	419 kg	548 kg	581 kg
BV86	Cost of waste disposal per tonne for municipal waste	£39.17	£32.37	£35.43	£29.49	£33.28	£45.72

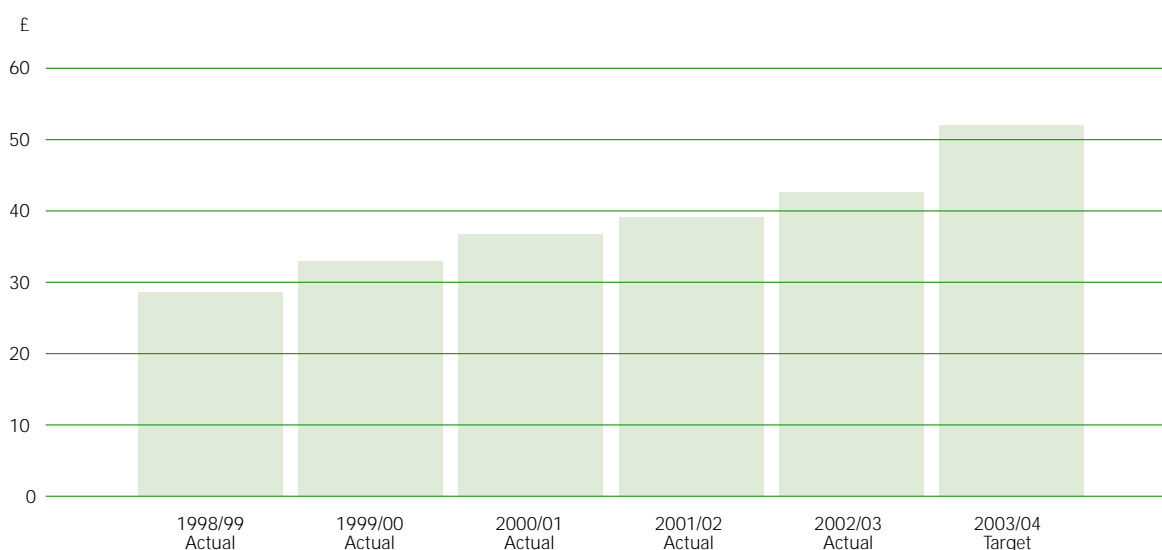
+ source - WDA bench marking group.

Financial Statement

ELWA is financed by an annual levy on the four constituent councils. For a number of years, ELWA apportioned its total costs over the four boroughs based on the relative council tax bases of each council. This method of apportionment of total costs did not assist the achievement of either ELWA's IWMS or the Government's environmental targets. ELWA has pressed the Government to introduce new legislation for a change to the default method of calculation that would reinforce incentives for collection authorities to reduce and recycle waste. Although this legislative change is still awaited, ELWA and the four councils have reached agreement over a new method of apportioning the annual levy, which will see the majority of ELWA's costs being apportioned according to the actual level of waste tonnages that each council presents for disposal. This new method has been applied to the levy for 2003/04 and will continue to be phased in until it is fully implemented with effect from the 2005/06 financial year.

As can be clearly seen from the figures overleaf, there has been a steady increase in costs over the last four years. This increase in costs is attributable to a number of factors that are not directly in the control of ELWA, for example, increased volumes of waste generated in the four boroughs and increased landfill costs mainly arising from the imposition of Landfill Tax. With the implementation of the IWMS contract, approximately 90% of ELWA's costs now relate to payments to Shanks.east london for the new services. Under the contract payment mechanism the contract price is fixed, with annual inflation increases. There are, however, stepped increases in the contract price in future years to coincide with, for example, the introduction of new major waste management facilities. To minimise the impact on the constituent councils of the contract price increases, ELWA has established a PFI Reserve Fund. Over the next few years, the Authority will allocate a proportion of the annual PFI credit received from the Government into this fund, with the monies being released at key stages to ensure, as far as possible, a smoother levy profile. This will have the added benefit of enabling the councils to prepare their future years' budget forecasts with a greater degree of certainty.

Cost per Tonne of Waste Disposal 1998/99 - 2003/04



Summary of ELWA Revenue Accounts

	2000/01 Actual £000's	2001/02 Actual £000's	2002/03 Provisional Outturn £000's	2003/04 Budget £000's
Expenditure				
Transfer Sites	2,265	2,198	1,872	244
Transport	3,039	3,009	2,834	419
Final Disposal	13,346	14,359	19,243	25,407
Development and General Services	1,622	2,172	2,067	1,731
Contingency	0	0	0	1,000
Contributions/Reinstatement to Reserves	0	0	0	1,277
	20,272	21,738	26,016	30,078
Income				
Levy	17,454	19,312	21,393	27,078
Trade/Commercial Charges	2,312	1,845	2,062	0
Other Income	49	38	29	0
PFI Grant	0	0	1,116	3,000
Fridge Disposal Grant	0	0	885	0
	19,815	21,195	25,485	30,078
Surplus/(Deficit) of Income over Expenditure	(457)	(543)	(531)	0
Other Transfers	295	232	0	0
Surplus/(Deficit) for the Year	(162)	(311)	(531)	0

Summary of ELWA Balance Sheet

	1999/00 Actual £000's	2000/01 Actual £000's	2001/02 Actual £000's
Fixed Assets	7,355	6,842	6,763
Current Assets	1,410	1,587	1,253
Current Liabilities	-108	-335	-304
Long Term Borrowing	-2,469	-2,469	-2,370
Total Net Assets	6,188	5,625	5,342
Capital Reserves	5,312	4,911	4,939
Revenue Reserves	876	714	403
Total Equity	6,188	5,625	5,342

Summary of Aveley Methane Limited Accounts

Separate financial accounts are kept for Aveley Methane Ltd (AML), a joint venture company between ELWA and Novera Energy Europe Limited, which manages the gas extraction at ELWA's Aveley 1 closed landfill site. The gas that is extracted is generated into electricity and sold.

Summary of AML Profit and Loss Accounts

	1999/00 £000's	2000/01 £000's	2001/02 £000's
Turnover	487	270	92
Operating Costs	(411)	(273)	(113)
Operating Profit/(Loss)	76	(3)	(21)
Net Interest	9	7	4
Sundry Income	0	13	0
Profit before Tax	85	17	(17)
Taxation	(2)	0	2
Retained Profit	83	17	(15)

Summary of AML Balance Sheet

	1999/00 £000's	2000/01 £000's	2001/02 £000's
Fixed Assets	125	115	105
Current Assets	273	236	227
Current Liabilities	-92	-28	-26
Long Term Liabilities	-186	-186	-186
Total NET Assets	120	137	120
Share Capital	5	5	5
Revenue Reserves	115	132	115
Total Equity	120	137	120

How to Contact Us


We are keen to hear from local people and other interested individuals or organisations about our plans and would positively welcome comments on this document. There is a pre-paid reply form included at the back of this plan or you can contact Alan Dawson, ELWA Office Manager on 020 8270 4964 or via e-mail to alan.dawson@lbbd.gov.uk. This plan and other useful information about ELWA is available on our web-site www.eastlondonwaste.gov.uk.

You may be interested to know that your local authority has also produced its own Best Value Performance Plan. This will cover all the services they provide, including information on their refuse collection, recycling and street cleansing services. Plans for the four councils are available from:

- London Borough of Newham,**
 Attn. Susan Eadon, Corporate Strategy Division, Town Hall, East Ham, London E6 2RP.
 Tel 020 8430 6903 or visit www.newham.gov.uk
- London Borough of Redbridge,**
 Attn. Peter Gadsdon, Best Value Performance Manager, Town Hall, PO Box 2, High Rd, Ilford, Essex IG11 1DD
 Tel 020 8708 2668 or visit www.redbridge.gov.uk

- London Borough of Barking and Dagenham,**
 Attn. Sandra Hamberger, Corporate Strategy Department, Civic Centre, Dagenham, Essex RM10 7BN. Tel 020 8227 2343 or visit www.barking-dagenham.gov.uk
- London Borough of Havering,**
 Attn. David Armstrong, Best Value Strategy, 8th Floor, Mercury House, Romford, Essex RM1 3RX. Tel 01708 432103 or visit www.havering.gov.uk

Monday - Friday
9.00am - 5.00pm



ELWA/BV1/03

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Tell Us What You Think

Thank you for reading our Best Value Performance Plan. We hope you found it useful and interesting.

We would like to know what you think of it and would appreciate it if you could take time to answer the questions on this page and return it to the FREEPOST (no stamp is required) address below.

East London Waste Authority, FREEPOST ANG1108, BARKING IG11 8ZZ



It was easy to read and understand Agree Disagree No Opinion

The information was useful Agree Disagree No Opinion

I agree with the targets set for next year Agree Disagree No Opinion

If you want to make any additional comments on any of these statements or would like some additional information please use the comments box below.

Name _____

Address _____





For more information about ELWA contact Alan Dawson, ELWA Office Manager on 020 8270 4964 or via e-mail to alan.dawson@lbbd.gov.uk

Alternatively you can visit our website on
www.eastlondonwaste.gov.uk

The East London Waste Authority is responsible for the disposal of waste generated by residents of the London Boroughs of Barking & Dagenham, Havering, Redbridge and Newham.