

## **EAST LONDON WASTE AUTHORITY (ELWA)**

### **STANDARD Q&As**

#### **ABOUT ELWA**

##### **Q1 What is ELWA?**

**A** The East London Waste Authority (ELWA) is a Joint Statutory Waste Disposal Authority set up upon the abolition of the Greater London Council in 1986. ELWA is responsible for the disposal of waste generated by the London Boroughs of Barking & Dagenham, Havering, Redbridge and Newham, who are ELWA's constituent boroughs.

##### **Q2 What are ELWA's aims?**

**A** ELWA's vision is: 'To provide an effective and efficient waste management service that is environmentally acceptable and delivers services that local people value'. The vision will be delivered primarily through the implementation of our Integrated Waste Management Strategy (IWMS).

##### **Q3 What are the objectives of the Strategy?**

**A** The original objectives of the IWMS were to:

- a) deliver services that are both reliable and achievable in terms of managing and disposing of the waste.
- b) deliver services that should be environmentally and economically sustainable in terms of:
  - encouraging waste minimisation initiatives
  - seeking to maximise waste recycling and composting opportunities potentially supported by recovery of energy
  - contributing to local economic development.
- c) achieve a recycling/composting target of at least 25% of household waste by 2005.
- d) achieve a recovery/diversion from landfill target of at least 40% of municipal waste by 2007.

These objectives have since been extended and made more comprehensive by adding the requirements of the National Waste Strategy 2000 and Best Value waste targets.

These objectives show a considered and strategic approach to the problem of managing East London's waste into the 21st century. The objectives were determined following extensive consultation with local residents and are intended to:

- reflect the corporate policies and aspirations of the constituent boroughs
- be 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.

**Q4 How many staff does ELWA have?**

**A** ELWA has no direct employees but discharges its duties and functions through agency agreements with the constituent boroughs. Approximately 48 full and part-time staff are employed by Newham Council at ELWA's Refuse Transfer Station at Jenkins Lane, Barking. There are 3 full-time staff based at ELWA's Offices at Arden House, Barking.

**Q5 How are Councillors selected to sit on ELWA?**

**A** Each of the four constituent boroughs nominate two of its own members to serve on ELWA every year.

**Q6 What is the relationship between ELWA and the Councils?**

**A** ELWA is a local authority in its own right, separate from its constituent boroughs. However there are clear links between ELWA and the boroughs because ELWA's main responsibility is to dispose of the waste that is created in the boroughs. Also councillors and officers from the boroughs are actively involved in the running of ELWA.

The boroughs have been and continue to be extremely supportive of ELWA'S objectives and their involvement in the development of the IWMS has been invaluable. All the parties have recognised the importance of an integrated approach to waste management and this has brought about many improvements to the contract. One such improvement has seen the inclusion of the operation and management of the borough civic amenity sites in the contract. This will enable the successful contractor to invest in these sites (which will be renamed Reuse and Recycle Centres) to improve waste segregation and recycling which will assist greatly in the achievement of the ELWA recycling/composting targets.

**Q7 What is ELWA's budget and how is it financed?**

**A** ELWA's revenue budget for 2002/03 is approximately £24 million. This is financed by an annual levy on the four constituent boroughs and is apportioned in part in accordance with the amount of waste each borough presents for disposal and the remainder based on their relative Council Tax bases.

**INTEGRATED WASTE MANAGEMENT STRATEGY (IWMS) CONTRACT**

**Q8 How has the IWMS Contract developed?**

**A** ELWA developed its Integrated Waste Management Strategy in 1996 following an extensive two-stage consultation exercise that involved local residents, the constituent boroughs and a range of external organisations including Government departments, the waste management industry and environmental groups. Financial and environmental studies were commissioned to identify the likely cost and effects of the numerous waste management methods and this information and the views of everybody that took part in the consultation exercises were used by ELWA in finalising its IWMS. Even though best value legislation has only been in force for a year or two the External Auditor has confirmed that ELWA's approach to the development of its IWMS bears the hallmarks of the good practice of best value. The reasons for and the methods by which

services are provided were challenged, performance was compared with other authorities and private sector bodies and local people and interested groups were consulted. The Strategy is being implemented via ELWA's 25-year IWMS Contract which will be an innovative public/private partnership with a private contractor, Shanks Waste Services, and supported by the boroughs and funded with substantial assistance from the Government's Private Finance Initiative (PFI). This overall approach will be 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 waste management.

**Q9 What is the financial value of the IWMS contract?**

**A** The contract, which has involved ELWA entering into a partnership with Shanks is worth approximately £25 million per annum and is for a 25-year period. Shanks will invest more than £100 million in new infrastructure over the life of the contract on top of the annual disposal and operational costs.

**Q10 Is there any financial support for the project?**

**A** ELWA has been awarded £47 million PFI funding, which is payable over the duration of the 25 year contract. The Private Finance Initiative (PFI) is a fairly recent Government initiative which provides financial support for specific public/private partnerships. ELWA's PFI award will effectively reduce the cost of waste disposal to the constituent boroughs, and ultimately the local residents over the life of the contract.

**Q11 Who has the contract until Shanks takes over?**

**A** The waste disposal function will continue to be managed 'in-house' until the IWMS Contract is finally signed, and this is likely to be on 30<sup>th</sup> June 2002. The waste currently goes to three main sites where ELWA has a contractual agreement with the site operator. These disposal contracts will transfer to the new IWMS contractor from the date the contract is signed. Each borough has its own household waste collection arrangements and these will continue.

**Q12 What consultation has there been with key stakeholders?**

**A** Throughout the IWMS process ELWA has placed huge importance on consultation. We believe that the only way to achieve a successful fully integrated contract is to have made sure that every individual or body that is affected by the proposals has had the opportunity to have an input. We began this process with the extensive consultation during the development of our Strategy. More recently, considerable dialogue has taken place with the Department of the Environment, Fisheries and Rural Affairs (and its predecessor, the Department of the Environment, Transport and the Regions) which has a particular interest in the PFI element and the development of the Government's National Waste Strategy. The views of the Greater London Authority and

the Mayor and his advisors have also been sought in relation to our proposals.

**Q13 When did the tender process begin?**

**A** The IWMS Contract tender process has lasted for approximately 2 years. Adverts were placed inviting expressions of interest in accordance with European and UK requirements in April 2000. Twenty-eight enquiries were received and from this eleven companies made a formal expression of interest. These companies went through several further stages of selection and four were invited to submit priced tenders, which were returned to ELWA in April 2001. A careful and detailed evaluation (including the legal, environment, operational and financial aspects) of the bids was undertaken. ELWA used independent consultants to assist with the process.

At the ELWA meeting in July 2001, Members selected two waste management companies to take forward to the next stage. Shanks Waste Services Ltd and Thames Waste Management Ltd. Following their selection, ELWA held detailed negotiations with these two companies over aspects of their submitted tenders and then invited the companies to submit Best and Final Offer (BAFO) tenders, based on their earlier submissions and the outcome of the discussions that had taken place.

Shanks has now been selected as the Preferred Bidder, with whom ELWA intends to sign the contract in a few months time.

**Q14 What are the benefits of the Shanks proposals?**

**A** The Shanks proposals will:

- increase recycling and composting to meet the targets set out in the National Waste Strategy
- meet the Government's Best Value performance targets for local authority waste
- end the area's reliance on landfill, reducing municipal waste going to landfill to 33% or less by 2016
- allow waste which cannot be recycled to be used as a secondary fuel in existing industrial processes and existing power stations
- move waste off the roads and onto rail or water where possible.

The Shanks proposals will not:

- mean any new incinerators in the ELWA area
- inhibit recycling by needing materials to feed new incinerators
- require intrusive new facilities to be planned and built in local communities
- increase traffic on local roads.

**Q15 Will Shanks maintain existing kerbside recycling collection schemes?**

**A** Shanks will introduce a 'Survival Bag' system which allows householders to sort out materials for recycling at home and put them out with their other waste in a different coloured bag, to be collected at the same time. This will be implemented over the next 4 years in all areas which do not presently receive an existing or proposed kerbside scheme. The existing kerbside schemes will remain in place and be expanded. Shanks has committed to the continued use of the Ilford Recycling Centre throughout the term of the contract.

Shanks already uses the survival bag system very effectively in Bedfordshire and believes that in the ELWA area participation could exceed 50%.

**Q16 Is Shanks going to build new incinerators in east London?**

**A** No. The solution proposed by Shanks for east London relies on recycling, composting and waste processing. No upper limits are being put on recycling, so there is no danger of energy from waste crowding out recycling efforts.

After separation of recyclable materials, waste will be processed in a bio-drying facility. This dries the waste, greatly reducing its weight (by 25-30%). The process also has the effect of stabilising the waste and reducing its biological activity to a very low level.

The dried residue is screened further to separate ferrous and non-ferrous metals, glass, aggregates and a compostable fraction – these contribute to materials recycling targets. The residue left by this process (about 45% of the received waste) can then be used as fuel and Shanks will enter into contracts with customers for the fuel in existing industrial facilities and power stations.

**Q17 Will Shanks use existing London incinerators?**

**A** Shanks will continue to use the Edmondton incinerator (owned by London Waste Limited) until the existing disposal contract with ELWA expires. Once the Bio-MRFs are developed there will be only a small amount of waste taken directly to Edmondton, mainly when implementing contingency plans. Fuel produced in the Bio-MRFs will be used in existing industrial and power facilities elsewhere.

**Q18 Is this bio-drying system tried and tested?**

**A** Yes. The Bio-MRF system is already working well in Guisage, Corteolona, Bergamo and Montanaso in Italy, built and operated by Italian company Ecodeco. Two further facilities are being built at Lachiarella and Salussola. This is a proven method already used by local authorities for municipal waste. The success of existing plants have paved the way for the new facilities currently in development.

Shanks will be using the same technology in its long term contract with Dumfries and Galloway. It has also proposed using the technology to a number of other local authorities in the UK.

The Bio-MRF process is designed to restrict and control the emissions of both flies and odours. Plants are subject to stringent monitoring, and environmental controls ensure that no nuisance is caused in the local environment. There are no harmful emissions to air from the Bio-MRFs and smells are removed by bio-filters before air and water vapours are released. The existing facilities in Italy have these controls already in place and further improvements are planned for the facilities in the ELWA area.

**Q19 How many Bio-MRFs are proposed?**

**A** Six in total, split between the two sites at Jenkins Lane, Barking and Frog Island, Rainham.

**Q20 What is the position on planning permissions?**

**A** ELWA is not the planning authority. If any facilities are required which need

planning permission, an application will have to be made in the normal way. Shanks will need to submit a planning application to the appropriate Local Planning Authority. This will entail public information and consultation. ELWA's preference for a particular solution to the area's waste disposal problems will not in any way compromise the normal planning process.

**Q21 Does Shanks expect to receive planning permission for the new facilities proposed?**

**A** Shanks are confident that the major new facilities at Jenkins Lane and Frog Island will receive planning permission. Jenkins Lane is already established for waste management use, so the principle of what it wants to do there is already agreed. The developments proposed on both sites will be modern, low-rise buildings with all activities conducted inside in a controlled environment in a way which protects the amenity of local residents and business. Shanks believe that they are appropriate developments judged against Planning Policy Guidance Note 10 (waste management) and the Unitary Development Plans of the Boroughs.

In fact, Shanks have already started talks with planning officers at the Boroughs over the sites.

Shanks is confident that the proposals represent the Best Practicable Environmental Option for ELWA.

**Q22 Does ELWA's selection of Shanks mean planning consent is going to be easier or even a foregone conclusion?**

**A** No. ELWA has no control or jurisdiction over the planning process. The plans must comply with planning law and need proper planning permissions, and this process will take place independently of the tendering process. There is no done-deal here.

**Q23 Will there be public consultation regarding Shanks proposals?**

**A** ELWA's role has been to find the most suitable partner who can work with the authority to safely recycle, treat and dispose of the \_ million-plus tonnes of household waste that its residents produce every year. In order to do this, a tender was advertised and 11 companies responded. Over a period of months this was narrowed down to two bidders. To have consulted over all the sites and all the options would have been impossible and it would have undermined the commercial sensitivity of the competitive tendering process.

Sites for new/improved facilities have already been identified by Shanks in its bid and will be pursued through the planning process. In due course, the company will want to discuss and explain its proposals to the public at large and near neighbours in particular. And, as part of the planning process, Council Planning departments will consult with those who may be affected by any proposal.

Shanks has a full strategy for public engagement and will keep local communities fully briefed on changes to the waste management service and proposals for new facilities.

**Q24 How and where will waste be transported and what environmental benefits will there be?**

**A** Under the Shanks solution for ELWA, the first priority will be to recycle and compost as much as possible – as a minimum the amount recycled and composted will be sufficient to meet the targets set out in the National Waste Strategy, but with no upper limit. The

inevitable result of materials recovery is that the materials – paper, card, aggregates, glass, metals and compost – need to be transported to the place where they are to be reprocessed and this may involve longer journeys than if the material was to be taken to a nearby landfill site.

The Shanks proposals will minimise the transport impacts of these activities. First, the bio-drying process will reduce the weight of the residual waste, greatly reducing the amount of material to be transported.

Secondly, Shanks will use transport systems with the lowest possible environmental impacts – rail and water where possible and trucks using more sustainable fuels, such as Greenenergy's City Diesel.

Thirdly, the heavy recovered fractions – aggregate, glass and compost – will be used locally.

Moreover, the use of the secondary fuel in the combined heat and power plant gives substantial environmental benefits compared with alternative energy recovery options.

The sustainability of this solution comes from finding good uses for all of the waste (recycling, composting or as a secondary fuel) and by reducing the weight as much as possible (bio-drying) before moving anything.

Before the Bio-MRFs are operational, some waste will be transported to landfill at the existing Shanks site at Calvert, Bedfordshire, by rail. This waste presently goes to landfill, by road to Aveley in Essex. When the Bio-MRFs are up and running some residual materials will go to landfill by rail.

**Q25 How many people will Shanks employ in the area under the new contract? Will all existing jobs be safe?**

**A** All the people who work for ELWA at the moment will transfer under TUPE arrangements into the new partnership. Shanks will protect their current terms and conditions of work. There are a number of people who work for the Boroughs who will also transfer under the contract. Shanks has already initiated discussions with the relevant Trade Union representatives.

Once all the new facilities are operational there will be 163 people (or full time equivalents) employed on the provision of the services, this includes 99 completely new jobs.

There is no doubt that the success of this contract will be down, in part, to the quality of people running the service. Shanks will want to work very closely with the existing ELWA employees and the boroughs on recruitment and will make a significant investment in staff training at all levels.

**INFORMATION ABOUT WASTE AND RECYCLING**

**Q26 How much waste do the four boroughs produce?**

**A** This currently amounts to over 535,000 tonnes of waste per year, which would fill over 50,000 refuse vehicles.

**Q27 How much comes from households; how much comes from businesses?**

**A** Approximately 60% of the waste that ELWA deals with results from household door step collection by the boroughs. The remaining 40% is made up of waste delivered to the Civic Amenity sites, trade/commercial waste and waste generated by the four boroughs themselves (grounds maintenance, street cleansing etc).

**Q28 What is the current trend regarding volumes?**

**A** The table below shows the waste levels for 1997/98 to 2001/02

Year	Waste (tonnes)	Percentage Increase
2001/2002	535,000	3.1
2000/2001	520,000	2.6
1999/2000	505,000	6.9
1998/1999	475,000	2.2
1997/1998	465,000	5.7

Approximately 90% of the waste that ELWA receives is currently taken to landfill sites by road, either directly by the borough's refuse collection vehicles (RCVs) or via the Jenkins Lane Refuse Transfer Station. The remaining 10% is either composted by ELWA or sent for incineration.

**Q29 What level of recycling is there?**

**A** At the moment, the constituent boroughs recycle or compost approximately 30,000 tonnes each year. The remaining waste is presented to ELWA for disposal.

When the IWMS Contract is up and running responsibility for achieving the recycling and composting targets will rest largely with Shanks, who will be operating the civic amenity sites, supporting borough kerbside collection schemes and introducing new facilities and methods to enable far greater levels of recycling and composting.

The IWMS Contract requires Shanks to achieve an overall recycling/composting rate of at least 12% in 2003/04 and 25% by 2005/06. These targets and also a 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. It will only be through the active support and participation of the boroughs and local residents that the contractor will be able to reach these targets at a reasonable cost. As ELWA will have to pay the contractor for the work to achieve these targets it stands to reason that the easier this task is made the cheaper it will be for ELWA, the boroughs and local residents.

**Q30 Is Shanks going to be able to meet the ELWA targets and the National Waste Strategy targets for recovery and recycling?**

**A** Yes. Shanks is confident of being able to meet the targets set out in the National Waste Strategy and no upper limit has been set on recycling and composting – the company will be trying to recycle and compost as much as it can. The table below shows Shanks' contracted recycling and recovery rates at specific points in time.

Year	Recycling Rate %	Recovery Rate %
2002	6%	14%
2003	13%	20%
2005	28%	50%
2006	33%	53%
2015	33%	69%

The National Waste Strategy targets are as follow:

- To recycle 25% of municipal waste by 2005
- To recover value from 40% of municipal waste by 2007
- To recover value from 45% of municipal waste by 2010
- To recover value from 67% of municipal waste by 2015.

**Q31 Who will be responsible if Shanks fail to meet the targets?**

**A** Shanks is confident of being able to meet the targets, and will be trying to better them. If in any accounting period the company falls below them, it will take full responsibility and lose revenue from ELWA.

But the real question should be – ‘how will we work with others to increase recycling, composting and recovery rates if we struggle to meet the targets’. Shanks approach would be to look at alternative methods of raising recycling and recovery rates as soon as it became apparent that the targets were going to be difficult to meet. This may mean new facilities, wider public information and education initiatives, community campaigns to promote the Reuse and Recycling Centres, or working with the collection authorities to increase public participation in source segregation. All these will be considered and Shanks will act promptly to make sure that rates are acceptable. The ELWA contract provides Shanks with a direct financial incentive to recycle waste over and above the contracted levels.

**Q32 What will Shanks do to try and beat the targets?**

Shanks is not setting any upper limits on recycling, composting and recovery – the more it can do the better. By not building a new incineration plant, the company has no reason to save waste to be burned. The structure of the range of treatments and technologies proposed by Shanks for East London is all geared to recycling and composting as much as possible.

In addition to operational and process questions, Shanks understands that the local residents have a major role to play in meeting and beating targets. Shanks will be forming

strategic partnerships with a wide range of stakeholders and working with local communities to inform people better about their waste and to encourage them to join in the recovery and recycling efforts.

## **COSTS**

### **Q33 Will the new service be more expensive?**

**A** Costs will increase from their present level due to the level of capital investment and additional manpower that Shanks will employ. However this increase is mitigated by the PFI funding of approximately £2.5 million a year. At the present time, it costs more to reach the higher levels of recycling than to simply landfill waste. Therefore the higher environmental targets in ELWA's contract will incur extra costs for ELWA.

In the longer term, the annual cost of the service that Shanks will provide is expected to be considerably less than if the waste just continued to go to landfill for the next 25 years, with foreseen and potential increases in landfill costs and the landfill tax. The Shanks solution is therefore affordable and will provide value for money.

### **Q34 Will the new facilities proposed cost more?**

**A** Shanks has given ELWA a guaranteed service at a guaranteed price, with proven technology with no additional charges if the technology or systems fail. The company is also avoiding the need for future significant landfill and therefore the risk of escalating costs of landfill.

Because ELWA obtained additional funds from the Government through its Private Finance Initiative it means that it has already taken steps to reduce the cost impact of the new services for its constituent boroughs and their residents.

### **Q35 Can Shanks guarantee that there will be no additional (unforeseen) cost increases?**

**A** The contract is based on a schedule of rates which can only go up by an inflation indexation. If there is a change in law that is not foreseeable today then the cost could increase, but otherwise the prices quoted are fixed, subject to inflation.

### **Q36 Will local councils get any financial benefit from money Shanks gets from recycling?**

**A** Yes – through sharing revenues from the Government's Packaging Recycling Notes scheme. It may also get further financial benefit if the Government introduces its proposed Tradable Landfill Permits which will mean that ELWA can trade those Landfill Permits which it doesn't need because it has diverted additional waste away from landfill.

Financial benefits from recycling are already included in the Shanks price to ELWA. Shanks will also be setting up a landfill tax credit scheme via its Environmental Body to invest in local qualifying projects.

### **Q37 What are Shanks' credentials to run this service?**

**A** Shanks knows how to run this service and run it well. The company already works in close and successful partnerships with 29 local authorities to service over 40 waste management contracts in the UK, some of which have run successfully for over 20 years. The company

has the experience to make this mix of technologies (some of which aren't available to anyone else) work and to implement waste management initiatives which can deliver the results ELWA wants.

Shanks has the credibility of being a long standing independent major player in the UK waste market, with the credibility and history that brings. This is one of the largest independently owned waste management companies in the UK with some 1,600 employees. Moreover, Shanks is focussed on continuous improvement and partnership working and it is confident that it has the skills to make this contract a success.

**Q38 Why can't each borough deal with its own waste?**

**A** There is a statutory responsibility upon ELWA to dispose of the four boroughs' waste. The boroughs have a duty to collect the waste and can recycle what they collect, but they cannot dispose it.

**Q39 Who collects the municipal waste in each of the four boroughs?**

**A** The 4 constituent boroughs have their own waste collection arrangements. The organisations that carry out the waste collection in each of the boroughs are:  
Barking & Dagenham – 'in-house' DSO  
Havering – Cleanaway  
Newham – 'in-house' DSO  
Redbridge – MRS

**Q40 Why can't things continue as they are?**

**A** In recent years the landfilling of waste has been subject to limited availability, significant additional cost and environmental pressures. The Landfill Tax was introduced in October 1996 and is currently set at £13 per tonne (from 1st April 2002). New Government and EU legislation has also introduced restrictions on the levels and types of waste that can be landfilled in the future and ELWA and the constituent boroughs need to meet the recycling and recovery targets that have been set. In addition to this, ELWA's two main landfill disposal contracts are due to expire in late 2002 and 2005 respectively. All these pressures highlight the need for ELWA to change its approach to waste disposal.

**Q41 Has ELWA any plans to educate people into producing less waste?**

**A** ELWA and the four boroughs place much importance on raising awareness of waste disposal issues and on using resources more efficiently and effectively. Clearly, however, if the ELWA contract is going to achieve the standards required, then this level of awareness needs to be increased significantly to ensure it reaches every household and resident of the area. Shanks will introduce new proposals to help the boroughs promote and educate local people about caring for the environment by effective resource use and disposal.