

**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:**

2015/16 REVENUE AND CAPITAL BUDGETS FINAL OUTTURN AND 2016/17 FIRST BUDGET REVIEW

**REPORT OF:**

FINANCIAL ADVISER

**FOR SUBMISSION TO:**

AUTHORITY MEETING

**DATE:**

17 June 2016

**SUMMARY OF REPORT:**

This report provides details of expenditure and income for 2015/16 and briefly comments on the current financial position and outlook for future years. The report indicates that revenue balances at 31 March 2016 were £10,242m, i.e. an increase of £4.283m compared with the February forecast. The improvement arises from Landfill Tax, a number of administrative savings and underspends as well as non-use of the contingency.

The first review of the 2016/17 budget discusses a number of variances which taken together have only a small impact on the budget.

Allowing for the improvement in the revenue balances at 31 March 2016 and the 2016/17 budget variances, the first review indicates that the Authority's forecast at 31 March 2017 reserves have increased by £4.459m compared with the February report. This improvement strengthens the Authority's ability to manage its services within budget and accommodate potential budget pressures. If this situation is maintained, the Authority will have reserves of £4.459m available to support the 2017/18 budget and as a consequence reduce the amount that will need to be recovered from boroughs through the levy.

**RECOMMENDATIONS:**

**The Authority is recommended to:**

- (i) Note the 2015/16 outturn (subject to audit).
- (ii) Note the over and under payments by boroughs in respect of non-household and chargeable household waste in 2015/16 and the arrangements for repayment to and collection from the boroughs.
- (iii) Note that the 2015/16 draft Statement of Accounts will be reviewed by the Members' Finance Working Group before consideration by the Authority at its September meeting.
- (iv) Note the first review of the 2016/17 budget and that a second review will be submitted to the Authority in September.
- (v) Note that an update on the budget and resource requirements for 2017/18 and future years will be reported to the Authority in future budget reviews.

**Signed by the Financial Adviser**

**DATE:** 7 June 2016

## 1 Introduction

1.1 At its meeting on the 11 February 2016 the Authority was provided with an up-to-date assessment of its financial position. This included the fourth review of the 2015/16 budget. The latter formed the basis of the 2015/16 approved revised budget and provided guidance on the level of surplus resources available to assist with the funding of the 2016/17 budget.

1.2 The accounts for 2015/16 are now closed and therefore the main purpose of this report is to provide details of the 2015/16 outturn (subject to audit). The opportunity is also taken to provide details of the 2016/17 first budget review and to briefly comment on the outlook for future years.

## 2 2015/16 Outturn

2.1 At its meeting on 12 February 2015 the Authority agreed an original budget of £66.173m to be financed by estimated revenue balances of £8.311m, charges to boroughs for non-household and chargeable household waste of £9.607m and £1.803m respectively and a levy of £46.452m.

2.2 In subsequent reviews, Members have been advised of:

<b>Table 1</b>	<b>£m</b>
Higher level of balances brought forward from 2014/15	(3.479)
Forecast reduction in residual waste tonnages (saving)	(0.918)
Increased Electricity Income Claim	0.541
Reduction in MRF and composting prices	(0.178)
Slippage from 2014/15 of RRC Improvements	0.043
Transfer of Summers Lane RRC to the Authority	0.385
Reduction in costs relating to other RRCs	(0.271)
Deferment of Joint Communications programme to 2016/17	(0.305)
Reduced Corporate and Administration costs	(0.359)
Reduction in claims for 3 <sup>rd</sup> party Recycling Credits	(0.061)
Increased Commingled Payments to Boroughs	0.144
Increased Commingled Income	(0.144)
Savings relating to Sites and Planning Costs	(0.262)
Reductions in Capital Financing Costs	(0.901)
Increased tonnages for Chargeable & Non-Household wastes	(0.199)
Other (net)	0.005
Total	<u>(5.959)</u>

2.3 The Authority was advised in February that after including an additional carried forward balance of £3.632m, it would be reasonable to assume that forecast revenue balances of £9.591m at 31 March 2016 could be considered when determining its budget and levy requirements for 2016/17.

2.4 The actual revenue surplus for the year ended 31<sup>st</sup> March 2016 increased by £4.283m compared to the February forecast. Therefore the total balance generated in the year is £10.242m (£5.959m + £4.283m). Including the carried forward balance of £3.632, there was a total balance of £13.874m

2.5 Comparison of the revised budget and final outturn is shown in Table 2 followed by a commentary on the most significant changes and issues arising.

**Table 2**

	2015/16 Original Budget	2015/16 Fourth Review	2015/16 Year End Outturn	Variance (Fourth Review to Outturn) £'000
	£'000	£'000	£'000	£'000
<b>Expenditure</b>				
Main Waste Disposal Contract (ex CA Waste)	25,305	25,623	25,544	(79)
Civic Amenity (RRC) Residual Waste	1,472	1,299	1,286	(13)
Landfill Tax	9,058	8,536	7,966	(570)
Composting Services	2,480	2,346	2,277	(69)
MRF Services	6,362	6,318	6,299	(19)
Transfer Stations and Other Sites	1,516	1,520	1,443	(77)
Re-use and Recycling Centre Operations	2,608	2,765	2,801	36
Corporate and Other Support Service Costs	2,611	2,445	1,858	(587)
Operations Team	459	497	482	(15)
Waste Prevention Programme – New Initiatives	373	332	293	(39)
Technical and Planning Team	479	319	246	(73)
Joint Communications Initiative	305	0	0	0
Recycling Initiatives	305	244	237	(7)
Commingled Income Payment Scheme	2,370	2,514	2,503	(11)
Sites and Planning Process Costs	3,566	3,284	3,173	(111)
Future Residual Waste Management	250	270	109	(161)
Revenue Funding - Capital Programme	7,906	7,005	7,001	(4)
Prior Year Items	0	0	(2)	(2)
	67,425	65,317	63,516	(1,801)
<b>Less</b>				
<b>Income</b>				
Rents	(107)	(106)	(108)	(2)
WEEE Reuse Grant	0	(30)	(30)	0
Sale of Recyclates	(2,370)	(2,514)	(2,503)	11
Interest on Balances	(55)	(55)	(125)	(70)
Dividend (LondonWaste Ltd)	(1,000)	(1,000)	(1,000)	0
Other Income	0	0	(141)	(141)
	(3,532)	(3,705)	(3,907)	(202)
Net Expenditure	63,893	61,612	59,609	(2,003)
Contingency	2,280	2,280	0	(2,280)
<b>Total Net Expenditure</b>	<b>66,173</b>	<b>63,892</b>	<b>59,609</b>	<b>(4,283)</b>
<b>Financed by:</b>				
Balances b/fwd	(8,311)	(11,790)	(11,790)	0
Charges to Boroughs (non-household waste)	(9,607)	(9,688)	(9,690)	(2)
Charges to Boroughs (household waste)	(1,803)	(1,921)	(1,919)	2
Levy – Base Element	(43,629)	(43,629)	(43,629)	0
Levy – RRC Element	(2,823)	(2,823)	(2,823)	0
Total Levy	(46,452)	(46,452)	(46,452)	0
<b>Total Resources Available</b>	<b>(66,173)</b>	<b>(69,851)</b>	<b>(69,851)</b>	<b>0</b>
<b>Revenue Balance as at 31 March 2016</b>	<b>0</b>	<b>(5,959)</b>	<b>(10,242)</b>	<b>(4,283)</b>
<b>Retained Balance</b>	<b>(3,632)</b>	<b>(9,591)</b>	<b>(13,874)</b>	<b>(4,283)</b>

2.6 Details of the most significant variances that have occurred since the budget meeting in February are set out below.

2.7 **Residual Waste Disposal and Landfill Tax: (- £0.662m)**

2.7.1 In February, Members were advised that tonnage data for the period up to December 2015 indicated an increase of 1.56% in the 2015/16 residual waste stream compared with 2014/15. This reflected evidence that the downward trend in tonnage experience in recent years had reversed. The total residual waste stream for the 2015/16 was estimated be 588,560 tonnes, i.e. a reduction of 8,167 tonnes compared with the original budget (596,727 tonnes), but an increase of 9,039 tonnes compared with 2014/15 (579,521 tonnes).

2.7.2 Outturn tonnage figures for 2015/16 indicate that the upward pressure in the residual waste stream was in line with the forecast allowed for in fourth review. The actual residual waste stream for the year was 588,372 tonnes, i.e. an increase of 8,851 tonnes (1.53%) compared with 2014/15, and a reduction of 188 tonnes compared with the fourth budget review.

2.7.3 Landfill tax outturn is lower by £0.570m. The tonnage sent to land fill was lower in the last few months than anticipated. In addition, fewer tonnes of incinerator bottom ash have had to be sent to landfill from Edmonton than was anticipated.

2.7.4 Details of the actual percentage movement in 2015/16 residual tonnage levels for each borough compared with 2014/15 may be summarised as follows:-

<b>Table 3</b>	<b>2014/15 Tonnes</b>	<b>2015/16 Tonnes</b>	<b>Change Tonnes</b>	<b>Change %</b>
Barnet	101,557	103,155	+1,598	+1.57
Camden	87,084	85,508	-1,576	-1.81
Enfield	87,438	88,186	+748	+0.86
Hackney	89,948	90,964	+1,016	+1.13
Haringey	71,665	72,556	+891	+1.24
Islington	72,096	77,107	+5,011	+6.95
Waltham Forest	69,733	70,896	+1,163	+1.67
<b>Total</b>	<b>579,521</b>	<b>588,372</b>	<b>8,851</b>	<b>+1.53</b>

2.8 **Composting and Materials Recovery Facility (MRF) Services: (- £0.088m)**

2.8.1 In October 2015 the Authority was advised by the boroughs of their latest forecasts of recycling activity and the amount of recyclate that would be passed to the Authority for bulking and treatment. This helped form the basis of the Authority's 2015/16 fourth budget review assumptions for these services. The actual level of compostable material sent to the Authority was 0.88% less than advised in October resulting in a £0.069m saving to the Authority. Dry recyclable waste tonnages were some 1.02% lower resulting in a reduced cost of £0.019m in respect of the MRF services.

2.8.2 The DEFRA MRF Code of Practice introduced in 2014 requires the Authority's MRF providers to measure and report the quality of delivered material. This has prompted a more stringent inspection regime at the MRFs with a consequent increase in rejected material requiring disposal. The disposal cost payable by the Authority amounted to some £0.140m in 2015/16 and is included in this budget. The Authority

has secured the agreement of the boroughs that this cost will be recovered from them through Commingled Income Payment Scheme payments and there is therefore no cost to the Authority.

	Composting Services			MRF Services		
	2015/16 Fourth Review Tonnes	2015/16 Actual Tonnes	Variance Tonnes	2015/16 Fourth Review Tonnes	2015/16 Actual Tonnes	Variance Tonnes
Barnet	21,134	20,225	(909)	27,085	27,519	434
Camden	4,171	4,122	(49)	18,736	18,757	21
Enfield	0	0	0	0	0	0
Hackney	5,575	6,035	460	15,350	17,373	2,023
Haringey	7,580	7,792	212	22,000	20,123	(1,877)
Islington	4,248	4,197	(51)	14,587	14,643	56
Waltham Forest	10,500	10,369	(131)	21,500	19,627	(1,873)
<b>Total</b>	<b>53,208</b>	<b>52,740</b>	<b>(468)</b>	<b>119,258</b>	<b>118,042</b>	<b>(1,216)</b>

#### 2.9 Transfer Stations and Other Sites: (- £0.077m)

2.9.1 This budget includes the costs of the Hornsey Street and Hendon waste transfer stations. Also included is an allowance for costs in respect of the Pinkham Way site. During 2015/16 only minor property maintenance and insurance costs were incurred at Pinkham Way resulting in a saving of £0.077m.

#### 2.10 Reuse and Recycling Centres (RRCs): (+ £0.036m)

2.10.1 The Authority manages eight RRCs on behalf of constituent boroughs including Summers Lane which was transferred to the Authority in October 2015. The costs of operating each RRC is ring-fenced to the relevant borough, such that any under or over spend is carried forward to the levy calculation for that borough in the next available levy year.

2.10.2 Table 5 indicates that the cost of operation was £0.036m higher than forecast in February. The principal reason for this is the increased tonnage of recycled material delivered to RRCs although this has been partially offset by savings on utilities costs.

<b>Table 5</b>	<b>2015/16 Original Budget</b>	<b>2015/16 Fourth Review</b>	<b>2015/16 Outturn</b>	<b>2015/16 Variance to Fourth Review</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Barnet	2,133	318,133	305,266	(12,867)
Camden	364,228	350,741	341,441	(9,300)
Enfield	4,397	0	0	0
Hackney	1,066	1,333	1,765	432
Haringey	945,352	584,315	612,341	28,026
Islington	580,295	576,431	624,347	47,916
Waltham Forest	990,380	933,712	915,630	(18,082)
<b>Total</b>	<b>2,887,851</b>	<b>2,764,665</b>	<b>2,800,790</b>	<b>36,125</b>

2.10.3 Table 6 provides details of the revenue balances position for each borough at 31<sup>st</sup> March 2016. The change in balances of £0.036m will be taken into account when determining the 2017/18 levy.

<b>Table 6</b>	<b>Additional Balances b/fwd from 2014/15</b>	<b>In-year Change in Balances (Original Budget to Fourth Review)</b>	<b>Total Forecast Balances as at 31 March 2016</b>	<b>Additional Balances 2015/16 from table 5</b>	<b>Total Balances at 31 March 2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Barnet	(49)	316,000	315,951	(12,867)	303,084
Camden	(59,363)	(13,487)	(72,850)	(9,300)	(82,150)
Enfield	(31)	(4,397)	(4,428)	0	(4,428)
Hackney	(15)	267	252	432	684
Haringey	(81,661)	(361,037)	(442,698)	28,026	(414,672)
Islington	(29,108)	(3,864)	(32,972)	47,916	14,944
Waltham Forest	(179,247)	(56,668)	(235,915)	(18,082)	(253,997)
<b>Total</b>	<b>(349,474)</b>	<b>(123,186)</b>	<b>(472,660)</b>	<b>36,125</b>	<b>(436,535)</b>

## 2.11 Corporate and Other Support Service Costs: (- £0.587m)

2.11.1 This heading captures a wide-range of services provided to the Authority by Camden and Haringey and a number of external providers. Savings have arisen principally as a result of lower spend on external support (£0.283m) and no call on the new initiatives budgets (£0.225m).

## 2.12 Commingled Income Payment Scheme (CIPS)/Income from the sale of Recyclates: (cost neutral)

2.12.1 The value of payments made under this scheme is in practice limited to the value of income received by the Authority from the sale of recyclates, i.e. there is no net cost to the Authority. After some recovery in the middle of the year, market prices for recyclates fell back to £19.28 in the fourth quarter bringing the average for the year to £21.21. The fourth budget review was based on an average price for the year of

£21.08. Overall tonnage was 1,216 less than advised by the boroughs and used by the Authority for budget purposes. The actual income and therefore the CIPS cost in 2015/16 was £2.503m (includes 4<sup>th</sup> quarter provisional figures), i.e. a reduction of £0.011m. The overall impact on the 2015/16 outturn is neutral to the Authority and for the boroughs is summarised as follows:

<b>Table 7</b>	<b>2015/16 Fourth Review</b>		<b>2015/16 Actual*</b>	
	<b>Tonnes</b>	<b>£'000</b>	<b>Tonnes</b>	<b>£'000</b>
Barnet	27,085	571	27,519	584
Camden	18,737	395	18,757	398
Enfield	0	0	0	0
Hackney	15,350	323	17,373	368
Haringey	22,000	464	20,123	427
Islington	14,586	307	14,643	310
Waltham Forest	21,500	454	19,627	416
<b>Total</b>	<b>119,258</b>	<b>2,514</b>	<b>118,042</b>	<b>2,503</b>

\* Includes 4<sup>th</sup> Quarter provisional figures

**2.13 Sites and Planning Process and Future Residual Waste Management Costs: (- £0.272m)**

2.13.1 The underspend has arisen largely through the need to reschedule some expenditure relating to property matters which will now be incurred in 2016/17.

**2.14 Contingency: (- £2.280m)**

2.14.1 At its February meeting the Authority continued to adopt a prudent approach and decided to retain a contingency in the 2015/16 revised budget that would be available to accommodate possible unforeseen additional costs in the closing months of the year. There has been no call on the contingency.

**2.15 Charges to Boroughs for Non-Household Waste: (-£0.002m)**

2.15.1 At the budget meeting in February Members were provided with an up-to-date assessment of the estimated cost to boroughs of non-household waste in 2015/16.

2.15.2 The meeting was also reminded that the final charges would be calculated as part of the 2015/16 final accounts process and that this would be reported to the Authority in June 2016. Any under or over payment by boroughs would be collected from or repaid to boroughs at that time.

2.15.3 Overall, income for the year is in line with the 2015/16 revised budget but since boroughs make on account payments to the Authority based on the original budget, adjusting payments and refunds are required. Barnet, Enfield, Hackney and Islington will be required to make an additional payment to the Authority. Camden, Haringey and Waltham Forest will receive refunds. The position for each borough is set out in Table 8 below.

2.15.4 Compared with the original budget assumption of 86,413 tonnes of residual waste there has been a small increase of 332 tonnes and a price decrease of £0.12 per tonne to £105.14.

2.15.5 Four Boroughs (Camden, Hackney, Haringey and Islington) have also delivered recyclable non-household waste to the Authority for treatment at a cost of £53.36 for dry-recyclable waste (9,582 tonnes) and £55.55 for food waste (1,043 tonnes). In the case of dry-recyclable waste these tonnages are also eligible for a payment under the Authority's Commingled Income Payment Scheme and this has the effect of substantially offsetting the initial gate fee.

2.15.6 Details of the original, revised and actual costs of non-household waste are shown in Table 8 below.

<b>Table 8</b>	<b>2015/16 Original Budget</b>	<b>2015/16 Fourth Review</b>	<b>2015/16 Actual Cost</b>	<b>Repayment due (to)/from Borough (Column 3 - 1)</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
Cost per Tonne	£105.26	£105.16	£105.14	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Barnet	1,033,759	1,040,874	1,039,729	5,970
Camden*	2,966,151	2,914,995	2,915,675	(50,476)
Enfield	939,551	981,248	984,110	44,559
Hackney*	1,848,277	1,918,338	1,918,955	70,678
Haringey *	347,105	338,364	335,361	(11,744)
Islington *	2,325,974	2,347,615	2,349,457	23,483
Waltham Forest	146,521	146,383	146,355	(166)
<b>Total</b>	<b>9,607,338</b>	<b>9,687,817</b>	<b>9,689,642</b>	<b>82,304</b>

\* Includes the cost of treating recyclable wastes

## 2.16 **Charges to Boroughs for Household Waste: (+ £0.002m)**

2.16.1 The outturn shows little change from the revised budget. The actual charge per tonne at £105.14 is the same as for non household waste.

2.16.2 Four boroughs (Camden, Hackney, Haringey and Islington) have also delivered recyclable chargeable household waste to the Authority for treatment at a cost of £53.36 per tonne for dry recyclable waste (3,140 tonnes) and £55.55 for food waste (738 tonnes). The dry recyclable tonnages are eligible for a payment under the Authority's Commingled Income Payment Scheme.

2.16.3 Details of the original, revised and actual costs of chargeable household waste are shown in Table 9 below:



<b>Table 9</b>	<b>2015/16 Original Budget</b>	<b>2015/16 Fourth Review</b>	<b>2015/16 Actual Cost</b>	<b>Repayment due (to)/from Borough (Column 3 - 1)</b>
	<b>1</b>	<b>2</b>	<b>3</b>	
Cost per Tonne	£105.26	£105.16	£105.14	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Barnet	239,992	239,764	239,719	(273)
Camden*	423,218	431,817	432,135	8,917
Enfield	150,627	150,484	150,455	(172)
Hackney *	537,705	544,817	545,036	7,331
Haringey *	251,707	257,463	255,467	3,760
Islington *	199,295	296,384	296,585	97,290
Waltham Forest	0	0	0	0
<b>Total</b>	<b>1,802,544</b>	<b>1,920,729</b>	<b>1,919,397</b>	<b>116,853</b>

\* Includes the cost of treating recyclable wastes

## 2.17 Ring Fencing of Balances

2.17.1 To support the introduction of menu pricing, the year end balance of £13.874m has been ring fenced to each borough. Paragraph 2.10.3 above provides an analysis of the Reuse and Recycling Centre balance of £0.437m at 31 March 2016. The remaining balance of £13.437m has been analysed between the household tonnage element and the council tax element of the levy. These balances have been allocated to each borough on the same basis that the 2015/16 levy was calculated.

<b>Table 10</b>	<b>2015/16 Fourth Review</b>		<b>Movement in Balances</b>		<b>2015/16 Year End Balance</b>	
	<b>Base Levy</b>	<b>RRC Levy</b>	<b>Base Levy</b>	<b>RRC Levy</b>	<b>Base Levy</b>	<b>RRC Levy</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Barnet	(2,005,316)	315,951	(954,911)	(12,867)	(2,960,227)	303,084
Camden	(1,168,786)	(72,850)	(567,500)	(9,300)	(1,736,286)	(82,150)
Enfield	(1,198,765)	(4,428)	(587,908)	0	(1,786,673)	(4,428)
Hackney	(1,150,493)	252	(531,851)	432	(1,682,344)	684
Haringey	(1,251,408)	(442,698)	(580,260)	28,026	(1,831,668)	(414,672)
Islington	(1,054,156)	(32,972)	(505,377)	47,916	(1,559,533)	14,944
Waltham Forest	(1,289,136)	(235,915)	(591,823)	(18,082)	(1,880,959)	(253,997)
<b>Total</b>	<b>(9,118,060)</b>	<b>(472,660)</b>	<b>(4,319,630)</b>	<b>36,125</b>	<b>(13,437,690)</b>	<b>(436,535)</b>
	<b>(9,590,720)</b>		<b>(4,283,505)</b>		<b>(13,874,225)</b>	

2.17.2 The balances identified and reported as part of the fourth review were used to adjust each borough's levy as part of the 2016/17 budget process. The movement in balances of xx identified as part of the year end process will be carried forward and included in the 2017/18 levy setting process.

## 2.18 Conclusion

- 2.18.1 The outturn shows that the Authority has a revenue surplus of £10.242m at 31 March 2016, i.e. an additional revenue surplus of £4.283m compared with the February forecast of £5.959m.

## 5 **Capital Budget 2015/16**

- 5.1 The Authority incurred no capital expenditure in 2015/16.
- 5.2 At 1 April 2015 the Authority held usable capital receipts of £1.439m. No receipts of a capital nature were received in 2015/16 and none were used. Capital receipts can only be used to fund capital expenditure or to repay debt.

## 6 **Final Accounts Preparation and Audit**

- 6.1 The 2015/16 outturn discussed in the preceding paragraphs forms the basis of the Authority's statutory statement of accounts which at the time of writing is in preparation. The Financial Adviser must certify that the accounts present a true and fair view of the financial position of the Authority at the end of the year and of the Authority's income and expenditure for the year and must sign the statement by 30 June. It will then be passed to KPMG for audit and the draft financial statements will be published on the Authority's website. New Audit and Accounting Regulations require the Authority to publish the draft statement on its website by 30 June.
- 6.2 The draft statement audited by KPMG will be presented to the Authority at its September meeting so that the Authority may consider and approve it and duly authorise the statement to be signed and dated by the Chair of the Authority. The Authority must then publish the final audited statement of accounts by 30 September 2016. With this in mind it is recommended that the draft statement of accounts is reviewed by the Members' Finance Working Group at its September meeting ahead of submission to the September meeting of the Authority. KPMG will report the findings of its audit to the Authority at its September meeting.

## 7 **First Review of the 2016/17 Revenue Budget**

- 7.1 At its meeting on 12 February 2016 the Authority agreed the 2016/17 budget at £65.845m, to be financed by estimated balances of £9.591m, charges to boroughs for non-household and chargeable household waste of £8.007m and £1.598m respectively, and a levy of £46.648m.

### 7.2 **General**

- 7.2.1 At this early stage of the financial year, tonnage data collected about the waste stream for April and May does not warrant a change to the budget assumptions for the cost of transport and disposal in 2016/17. This applies equally to other areas of the budget which are influenced by changes in tonnage data. A greater appreciation of any trends that may be developing should become apparent when data is available for the four-month period to the end of July which will be reported to the September meeting of the Authority. A number of other issues that emerged during the closure of the 2015/16 accounts will affect 2016/17 and these are discussed below:

### 7.3 **Planning Process Costs (+0.272m)**

- 7.3.1 Property issues relating to a replacement facility at Edmonton will continue into 2016/17 and the funding for this has been carried forwards

### 7.4 **Revenue Funding – Capital Programme (- £0.448m)**

7.4.1 The budget assumed that the Authority would purchase the Western Road RRC from LB Haringey by the 31 March 2016. This has not yet happened. The Authority is required to make a Minimum Revenue Provision (MRP) for assets from the financial year after purchase. Therefore there will be no MRP relating to Western Road RRC made in 2016/17, creating a one off saving of £0.172m.

7.4.2 In April 2016 the Authority refinanced part of a maturing loan from the Public Works Loans Board at a lower rate than anticipated. This has generated a saving against the 2016/17 budget of £0.276m and similar savings in future years.

## 7.5 **Income from the Sale of Recyclates**

7.5.1 The average sale price for the final quarter of 2015/16 was £19.28 per tonne. The 2016/17 budget assumed a price of £20.50. Were £19.28 to prevail throughout 2015/16 the income and hence CIPS payments to the boroughs would fall by some £0.148m. This will be monitored and an assessment included in the second review.

## 7.6 **Overview**

7.6.1 Members will recall that the Authority agreed a slight increase to the levy for 2016/17. Subject to further budgetary pressures that may emerge during the year, the first review of the 2016/17 suggests that a further £4.459m of balances could be available.

<b>Table 11</b>	<b>2016/17 Budget</b>	<b>2016/17 First Review</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>			
Main Waste Disposal Contract (ex CA Waste)	34,213	34,213	0
Civic Amenity Waste	1,320	1,320	0
Landfill Tax	2,091	2,091	0
Composting Services	2,463	2,463	0
MRF Services	6,645	6,645	0
Transfer Stations and Other Sites	1,541	1,541	0
Reuse and Recycling Centres	3,215	3,215	0
Corporate and other Support Service Costs	2,481	2,481	0
Operations Team	488	488	0
Waste Reduction Programme – New Initiatives	333	333	0
Technical and Planning Team	427	427	0
Joint Communications Initiative	313	313	0
Recycling Initiatives	312	312	0
Sites and Planning Process Costs	2,041	2,313	272
Future Residual Waste Management	660	660	0
Revenue Funding – Capital Programme	7,619	7,171	(448)
	<b>66,162</b>	<b>65,986</b>	<b>(176)</b>
<b>Less</b>			
<b>Income</b>			
Rents	(108)	(108)	0
Sale of Recyclates	(2,489)	(2,489)	0
Interest on Balances	(40)	(40)	0
Estimated Dividend Stream	0	0	0
	<b>(2,637)</b>	<b>(2,637)</b>	<b>0</b>
Net Expenditure	63,525	63,349	(176)
Contingency	2,320	2,320	0
<b>Total Net Expenditure</b>	<b>65,845</b>	<b>65,669</b>	<b>(176)</b>
<b>Financed By</b>			
Use of Balances	(9,591)	(13,874)	(4,283)
Charges to Boroughs (Non-household waste)	(8,007)	(8,007)	0
Charges to Boroughs (Chargeable Household Waste)	(1,598)	(1,598)	0
2016/17 Levy - Base Element	(42,590)	(42,590)	0
- HWRC Element	(4,059)	(4,059)	0
Total Levy	(46,648)	(46,648)	0
<b>Total Resources Available</b>	<b>(65,845)</b>	<b>(70,128)</b>	<b>(4,283)</b>
<b>Estimated Additional Revenue Balances at 31 March 2017</b>	<b>0</b>	<b>(4,459)</b>	<b>(4,459)</b>

8 **Review of the Outlook for 2017/18 and Future Years**

8.1 Other than higher revenue balances at 31 March 2016 and the financing savings mentioned in paragraph 7.5.2, the 2016/17 budget variance items discussed above are unlikely to have any impact on 2017/18 and future years. Moreover, since the data and assumptions underpinning the forecasts presented to the February meeting remain unchanged, it is proposed to update Members on the 2017/18 budget and levy prospects after the September meeting.

9 **Conclusion**

9.1 Allowing for the improvement in the revenue balances at 31 March 2016 and the 2016/17 variations, the first review indicates that the Authority's reserves at 31 March 2017 will have increased by £4.459m. This improvement strengthens the Authority's ability to manage its services within budget and accommodate potential budget pressures.

10 **Comments of the Legal Adviser**

10.1 The Legal Adviser has been consulted in the preparation of this report and has no comments to add.

**Local Government Act 1972 - Section 100 as amended**

Documents used in the preparation of this report:-  
Report to the Authority 12 February 2016 – Revenue Budget and Levy 2016/17  
2015/16 final accounts Working Papers  
2016/17 budgetary control working papers

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