

NORTH LONDON WASTE AUTHORITY

REPORT TITLE

2013/14 SECOND BUDGET REVIEW

REPORT OF

FINANCIAL ADVISER

FOR SUBMISSION TO

DATE

AUTHORITY MEETING

26 SEPTEMBER 2013

1. SUMMARY OF REPORT

This report is the second in the current year on the Authority's finances. It concludes that the Authority is forecast to have a revenue surplus of £5.285m at 31 March 2014, i.e. an increase of £0.140m compared with the first budget review.

The residual waste stream in the first four months of the year has reduced compared with the same period last year and if this reduction continues for the remainder of the year there could be a saving on waste treatment costs of £0.733m in 2013/14. Additionally, based upon information provided by constituent boroughs, the forecast tonnage reduction includes a small increase in non-household and chargeable household residual waste tonnages. After allowing for an increase of £0.281m in income from these two sources the total saving arising from these changes is estimated to be £1.014m.

The report also draws attention to the cost of processing additional commingled waste from Barnet and Camden in 2013/14 at an estimated additional cost of £0.874m. As a consequence the net saving for all changes is £0.140m.

Attention is drawn to the key issues that the Authority will need to address in its preparations for the 2014/15 budget. A further review of the 2013/14 budget together with an up-to-date detailed assessment of the budget and resource requirements for 2014/15 will be reported to the Authority in December.

2. RECOMMENDATIONS

The Authority is requested to note:-

- (i) The second review of the 2013/14 revenue budget.
- (ii) The issues that will need to be addressed in its preparations for the 2014/15 budget.
- (iii) That a third review of the 2013/14 budget will be reported to the Authority meeting in December together with an up-to-date assessment of the budget and resource requirements for 2014/15.

Signed by the Financial Adviser:

Date:

3. **Introduction**

3.1 At the Authority meeting in June I advised Members that the Authority was forecast to have a revenue surplus of £5.145m at 31 March 2014. As a result of the second review forecast revenue balances at the year-end are now estimated to increase by a further £0.140m to £5.285m. This report provides details of the main changes and other issues that have arisen since the last meeting.

4. **Second Budget Review**

4.1 **Transport, Disposal and Landfill Tax: (- £0.733m)**

4.1.1 Based on data for April to July 2013, officers are forecasting that total residual waste entering the waste stream in 2013/14 will be 577,714 tonnes i.e. a reduction of 14,358 tonnes (2.43%) on 2012/13 actual tonnage.

4.1.2 Members will be aware, however, that the 2013/14 budget, after an allowance for possible growth in the underlying waste stream (before recycling) and the proposed increase in borough recycling activity, provided for the treatment of 600,329 tonnes of residual waste. The residual waste stream is forecast to be 22,615 tonnes lower than budget resulting in a saving of £0.733m.

4.1.2 Details of the percentage movement in forecast 2013/14 residual tonnage levels for each borough compared with 2012/13 may be summarised as follows:-

Table 1 **September Forecast**
(Second Review)
%

Barnet	- 0.78
Camden	- 2.11
Enfield	+ 0.41
Hackney	- 4.87
Haringey	- 5.32
Islington	- 2.08
Waltham Forest	- 2.99

Overall Position - **2.43**

The figures in table 1 reveal that all boroughs but one have experienced a reduction in the amount of residual waste entering the waste stream in the early months of the year. The rate of change has not been uniform and in preparation for the forthcoming budget process the Authority will liaise with borough officers to determine whether the early year waste stream changes are likely to continue for the remainder of the year and beyond. The outcome of this review together with an up-to-date assessment by boroughs of their recycling ambitions will help inform an assessment of the impact that this could have on the Authority's 2014/15 waste treatment services and budget requirements. Conclusions from these discussions will be reported to the December meeting of the Authority as part of the detailed update on 2014/15 budget prospects.

4.2 Materials Recovery Facility (MRF) Services – (+ £0.874m)

- 4.2.1 Members will be aware from a report elsewhere on this agenda of Barnet's request to start delivering its commingled dry recyclable wastes to the Authority from October 2013. This arrangement was not expected to begin until 2016/17 and therefore the Authority's 2013/14 budget and medium budget forecasts do not allow for the cost of processing these wastes. Barnet estimates that it will send 10,864 tonnes of dry recyclable waste to the Authority in 2013/14 rising to 24,225 tonnes in 2014/15. This is estimated to add £0.474m to the Authority's costs in 2013/14 and £1.083m in 2014/15. The report elsewhere on the agenda also outlines proposals by Barnet to amend the levy apportionment arrangements to ensure an equitable financial impact for all boroughs for 2014/15 onwards.
- 4.2.2 Camden currently delivers dry recyclable wastes to the Authority; however, as a result of in-year changes to its commingled collection service the borough has advised that it currently expects to deliver an additional 6,000 tonnes of waste to the Authority in 2013/14 and an additional 7,500 tonnes in 2014/15. This is estimated to add £0.400m to the Authority's costs in 2013/14 and £0.512m in 2014/15.
- 4.2.3 The additional dry recyclable tonnages from both constituent borough councils (like all other such tonnages) will be eligible for payments under the Authority's Commingled Income Payment Scheme (CIPS) at an estimated cost of £0.422m, however as this scheme is funded out of the monies received by the Authority for the sale recyclates there is no net cost to the Authority.

4.3 Charges to Boroughs for Non-Household Waste: (- £0.158m)

- 4.3.1 Although the total amount of residual waste entering the waste stream is currently forecast to reduce, information provided by the boroughs indicates that there could be a small increase of 1,526 tonnes in non-household waste delivered to the Authority for disposal in 2013/14 compared with the budgeted tonnage of 89,481. Forecast recyclable non-household waste at 1,405 tonnes is currently broadly in line with budget expectations. Overall, the Authority's income is forecast to increase by £0.158m.

4.4 Charges to Boroughs for Household Waste: (-£0.123m)

- 4.4.1 Members will recall that because of changes made by the 2012 Controlled Waste Regulations that the Authority is required to separately charge for the cost of treating certain categories of waste which hitherto had been recovered through the Authority's levy and non-household charging arrangements. Constituent boroughs have updated their tonnage forecasts and have advised the Authority they currently expect to deliver 18,604 tonnes of this category waste compared with their original budget assumption of 17,901 tonnes, i.e. an increase of 703 tonnes. As a consequence the Authority's income is forecast to be £0.123m greater than budgeted.
- 4.5 Table 2 provides a summary of the current financial position.

Table 2	2013/14 Original Budget	2013/14 First Review	2013/14 Second Review	Variance Between First and Second Review
	£'000	£'000	£'000	£'000
Expenditure				
Main Waste Disposal Contract (ex CA Waste)	25,243	25,243	24,410	(833)
Civic Amenity Waste	1,360	1,360	1,379	19
Landfill Tax	13,131	13,131	13,212	81
Composting Services	3,124	3,124	3,124	0
MRF Services	4,006	4,006	4,880	874
Hendon Transfer Station	547	547	547	0
Hornsey Street Transfer Station	1,708	792	792	0
Other Sites	400	400	400	0
Household Waste Recycling Centres	2,367	2,367	2,367	0
Corporate and other Support Service Costs	1,921	1,921	1,921	0
Waste Strategy and Contracts Team	895	945	945	0
Waste Reduction Programme – New Initiatives	308	308	308	0
Joint Communications Initiative	290	290	290	0
Recycling and Reuse Credit Scheme	205	205	205	0
Other Recycling Initiatives	62	62	62	0
Commingle Income Payment Scheme	1,937	1,937	2,359	422
Waste Contract – Procurement Process Costs	3,031	3,031	3,031	0
Sites and Planning Process Costs	255	255	255	0
Revenue Funding – Capital Programme	9,178	9,178	9,178	0
	69,968	69,102	69,665	563
Less Income				
Rents	(101)	(101)	(101)	0
Sale of Recyclates – Dry Recyclable Bulking	(1,937)	(1,937)	(2,359)	(422)
Sale of Recyclates - WEEE	(92)	(92)	(92)	0
Interest on Balances	(250)	(250)	(250)	0
Estimated Dividend Stream (LondonWaste Ltd)	(2,500)	(3,000)	(3,000)	0
	(4,880)	(5,380)	(5,802)	(422)
Net Expenditure	65,088	63,722	63,863	141
Contingency	2,302	2,302	2,302	0
Total Net Expenditure	67,390	66,024	66,165	141
Financed By				
Balances b/fwd	(14,253)	(18,032)	(18,032)	0
Charges to Boroughs (Non-household waste)	(9,570)	(9,570)	(9,728)	(158)
Charges to Boroughs (Household waste)	(1,738)	(1,738)	(1,861)	(123)
Levy – Base Element	(39,440)	(39,440)	(39,440)	0
Levy – HWRC Element	(2,389)	(2,389)	(2,389)	0
Total Resources Available	(67,390)	(71,169)	(71,450)	(281)
Estimated Balances at 31 March 2014	0	(5,145)	(5,285)	(140)

5. **Review of the Outlook for 2014/15, 2015/16 and 2016/17**

- 5.1 Members will be aware of decisions yet to be taken on the procurement project and therefore no update is provided at this time. The Authority will be provided with an update of its future budget prospects at the December meeting.

6. **Conclusion**

- 6.1 The second review has highlighted changes in the waste stream the net effect of which is to improve forecast revenue balances by £0.140m to £5.285m at 31 March 2014. Although on the one hand the residual waste stream for the year is currently forecast to reduce the associated cost saving is likely to be more than offset by the cost of processing a significant increase in dry recyclable wastes. The impacts of these changes will be examined in more detail in December when Members will be provided with details of the 2013/14 third budget review and an up-to-date assessment of the Authority's 2014/15 budget and resource requirements.

7. **Comments of the Legal Adviser**

- 7.1 The Legal Adviser has no comments to add to this report.

Local Government Act 1972 - Section 100 as amended

Documents used in the preparation of this report: -
Reports to the Authority 12 February 2013 and 27 June 2013
2013/14 Budgetary Control Working Papers

Contact Officers: R A Bench - Head of Finance
N Harris Deputy Head of Finance
North London Waste Authority
Unit 161
Lee Valley Technopark
Ashley Road
London N17 9LN

Tel: 020 8489 5867/8609
Email: robert.bench@nlwa.gov.uk
Nick.harris@nlwa.gov.uk