

## NORTH LONDON WASTE AUTHORITY

### REPORT TITLE

2012/13 REVENUE AND CAPITAL BUDGETS FINAL OUTTURN AND 2013/14 FIRST BUDGET REVIEW

### REPORT OF

FINANCIAL ADVISER

### FOR SUBMISSION TO

AUTHORITY MEETING

### DATE

27 JUNE 2013

### 1. SUMMARY OF REPORT

This report provides details of actual expenditure and income for 2012/13 and briefly comments on the current financial position and outlook for future years. The report indicates that revenue balances at 31 March 2013 were £18.032m, i.e. an increase of £3.779m compared with the February forecast (forecast revenue balances of £14.253m were used to reduce the 2013/14 levy). The improvement arises from a further reduction in the waste stream, a number of operational savings and non-use of the contingency. Allowing for changes identified by the first budget review revenue balances at 31 March 2014 are currently forecast to be £5.195m. As a consequence the Authority has begun 2013/14 in good financial health.

Given the decision to make full use of forecast revenue balances at 31 March 2013 in setting the 2013/14 levy, the levy increase for 2014/15 was originally forecast to be in the region of 35% assuming a continuation of current contract arrangements (34% of this increase arose from the need to replace the use of revenue balances in 2013/14). Allowing for the forecast improvement in balances at 31 March 2014 the increase has reduced to 20% with the prospect of further improvement later in the year.

At the time of writing decisions have yet to be made on the selection of bidders for the Authority's procurements and therefore the outlook for 2014/15 and future years will be updated in the coming months in the light of progress made with the procurement project.

## 2. RECOMMENDATIONS

The Authority is requested to:-

- (i) Note the 2012/13 final outturn (subject to audit).
- (ii) Note the over and under payments by boroughs in respect of non-household waste in 2012/13 and the arrangements for repayment to and collection from the boroughs.
- (iii) Agree to refer the 2012/13 draft Statement of Accounts to the Members' Finance Working Group for review before consideration by the Authority at its September meeting.
- (iv) Note the first review of the 2013/14 budget and that a second review will be submitted to the Authority in September.
- (v) Note the current outlook for 2014/15 and future years and that a more detailed financial assessment of the medium-term budget and resource requirements will be reported to the Authority in future budget reviews.

Signed by the Financial Adviser: .....

Date: .....

### 3. Introduction

3.1 At its meeting on the 12 February 2013 the Authority was provided with an up-to-date assessment of its financial position. This included the fourth review of the 2012/13 budget. The latter formed the basis of the 2012/13 approved revised budget and provided guidance on the level of surplus resources available to assist with the funding of the 2013/14 budget.

3.2 The accounts for 2012/13 are now closed and therefore the main purpose of this report is to provide details of the 2012/13 final outturn (subject to audit). The opportunity is also taken to provide details of the 2013/14 first budget review and to briefly comment on the outlook for future years.

### 4. 2012/13 Outturn

4.1 At its meeting on 10 February 2012 the Authority agreed an original budget of £67.418m to be financed by estimated revenue balances of £16.823m, charges to boroughs for non-household waste of £9.981m and a levy of £40.614m.

4.2 In subsequent reviews, Members have been advised of:

	£m
(i) Higher level of surplus balances brought forward from 2011/12	(3.337)
(ii) Slippage of income from 2011/12	(0.589)
(iii) Improved dividend from LondonWaste Ltd	(4.500)
(iv) Reduction in the level of residual waste entering the waste streams	(1.651)
(v) Reduction in non-household waste income due to a reduction in the waste stream	0.460
(vi) Reduced use of recycling services	(0.691)
(vii) Reduction in additional costs payable to LondonWaste Ltd in respect of the Hornsey Street transfer station	(0.895)
(viii) Capital programme slippage and use of cash balances in lieu of borrowing	(1.674)
(x) Increased interest on balances	(0.111)
(xi) Reduction in budget contingency	(0.934)
(xii) Miscellaneous other changes (net)	<u>(0.331)</u>
Total	<u>(14.253)</u>

4.3 As a consequence the Authority was advised in February that it would be reasonable to assume that forecast revenue balances of £14.253m at 31 March 2013 could be taken into account when considering its budget and levy requirements for 2013/14.

4.4 The actual revenue surplus for the year ended 31 March 2013 is £18.032m, i.e. an increase of £3.779m compared with the February 2013 forecast.

4.5 In addition, the Authority holds an earmarked reserve of £1m for the funding of future recycling initiatives.

4.6 Comparison of the revised budget and final outturn is shown in Table 1 followed by a commentary on the most significant changes and issues arising.

<b>Table 1</b>	<b>2012/13 Original Budget</b>	<b>2012/13 Revised Budget</b>	<b>2012/13 Outturn</b>	<b>Variance between Revised Budget &amp; Outturn</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>				
Main Waste Disposal Contract (ex CA Waste)	26,010	25,208	24,751	(457)
Civic Amenity Waste	1,460	1,320	1,293	(27)
Landfill Tax	12,709	11,954	11,716	(238)
Composting Services	3,323	2,891	2,608	(283)
MRF Services	3,524	3,265	3,394	129
Hendon Transfer Station	528	520	516	(4)
Hornsey Street Transfer Station	1,696	992	768	(224)
Other Sites	400	200	31	(169)
Household Waste Recycling Centres	2,014	1,978	1,606	(372)
Corporate and Other Support Service Costs	1,601	1,548	1,203	(345)
Waste Strategy and Contracts Team	893	805	674	(131)
Waste Reduction Programme – New Initiatives	300	314	300	(14)
Joint Communications Initiative	350	250	227	(23)
Recycling and Reuse Credit Scheme	216	175	150	(25)
Other Recycling Initiatives	62	49	48	(1)
Commingled Income Payment Scheme	2,231	1,890	2,235	345
Waste Contract – Procurement Process Costs	2,767	3,159	3,345	186
Sites and Planning Process Costs	400	378	343	(35)
Revenue Funding - Capital Programme	9,606	7,932	7,922	(10)
LATS – Use of Allowances	1,650	0	0	0
Excess Creditor Provision (Previous Years)	0	(225)	(504)	(279)
	71,740	64,603	62,626	(1,977)
<b>Less</b>				
<b>Income</b>				
Rents	(99)	(99)	(99)	0
Sale of Recyclates – Dry Recyclable Bulking	(2,231)	(1,890)	(2,235)	(345)
Sale of Recyclates - WEEE	0	(96)	(95)	1
Interest on Balances	(150)	(850)	(967)	(117)
LATS – Grant	(1,650)	(0)	(0)	0
Dividend Stream (LondonWaste Ltd)	(2,500)	(7,000)	(7,000)	0
	(6,630)	(9,935)	(10,396)	(461)
Net Expenditure	65,110	54,668	52,230	(2,438)
Contingency	2,308	1,374	0	(1,374)
<b>Total Net Expenditure</b>	<b>67,418</b>	<b>56,042</b>	<b>52,230</b>	<b>(3,812)</b>
<b>Financed by:</b>				
Balances b/fwd	(16,823)	(20,160)	(20,160)	0
Charges to Boroughs (non-household waste)	(9,981)	(9,521)	(9,488)	33
Levy – Base Element	(38,600)	(38,600)	(38,600)	0
Levy – HWRC Element	(2,014)	(2,014)	(2,014)	0
<b>Total Resources Available</b>	<b>(67,418)</b>	<b>(70,295)</b>	<b>(70,262)</b>	<b>33</b>
<b>Revenue Balance as at 31 March 2013</b>	<b>0</b>	<b>(14,253)</b>	<b>(18,032)</b>	<b>(3,779)</b>

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

4.8 **Residual Waste Disposal and Landfill Tax: (- £0.722m)**

4.8.1 In February, Members were advised that based upon tonnage data available for the period up to December 2012 the figures indicated a net reduction of 4.54% in the residual waste stream compared with the level that entered the waste stream in 2011/12. As this was 1.38% lower than the reduction of 5.92% reported in December (based upon six months data) this suggested that the downward trend in tonnage had started to reverse. As a consequence an allowance was made for possible further upturn in the waste stream in the 2012/13 fourth quarter. On this basis the total residual waste stream for the year was estimated to reduce to 604,367 tonnes, i.e. a reduction of 21,584 tonnes compared with the original budget (625,951 tonnes), and by 20,126 tonnes compared with the residual tonnage outturn for 2011/12 (624,493 tonnes).

4.8.2 Outturn tonnage figures for 2012/13 indicate that the upward pressure in the waste stream identified in February between the third and fourth reviews was in fact partially reversed in the last three months of the year. The actual residual waste stream for the year was 592,072 tonnes, i.e. a reduction of 32,421 tonnes (5.19%) compared with 2011/12 actual tonnages, and a reduction of 12,295 tonnes compared with the fourth budget review. As a result, compared with the revised budget, the cost of residual waste disposal and landfill tax has reduced by £0.722m.

4.8.3 Details of the actual percentage movement in 2012/13 residual tonnage levels for each borough compared with 2011/12 tonnages may be summarised as follows:-

<b>Table 2</b>	<b>2012/13 September Forecast</b>	<b>2012/13 December Forecast</b>	<b>2012/13 February Forecast</b>	<b>2012/13 Actual</b>	<b>Variance between Actual and February forecast</b>
	<b>(Second Review)</b>	<b>(Third Review)</b>	<b>(Fourth Review)</b>		
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Barnet	-2.07	- 3.32	- 2.46	- 2.62	- 0.16
Camden	- 1.82	- 2.12	- 0.03	- 1.18	- 1.15
Enfield	- 7.60	- 7.82	- 7.73	- 8.04	- 0.31
Hackney	+ 2.25	- 1.13	+ 1.47	+ 0.93	- 0.54
Haringey	- 7.49	- 10.75	- 9.52	- 10.27	- 0.75
Islington	- 0.43	- 1.19	+ 0.89	+ 0.50	- 0.39
Waltham Forest	-14.43	-15.42	- 14.42	- 15.77	- 1.35
<b>Overall Position</b>	<b>- 4.48</b>	<b>- 5.92</b>	<b>- 4.54</b>	<b>- 5.19</b>	<b>- 0.65</b>

4.9 **Composting and Materials Recovery Facility (MRF) Services: (- £0.154m)**

4.9.1 In October 2012 the Authority was advised by the boroughs of their latest forecasts of borough 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 2012/13 fourth budget review assumptions for these services. The actual level of compostable material sent to the Authority was about 7% less than advised in October but dry recyclable tonnage for bulking and treatment was some 2% higher (see table 3 for tonnage details). As a result there is a saving of £0.283m in respect of the Authority's composting services and an increase of £0.129m in respect of the MRF services.

	Composting Services			MRF Services		
	2012/13 Revised Budget Tonnes	2012/13 Actual Tonnes	Variance Tonnes	2012/13 Revised Budget Tonnes	2012/13 Actual Tonnes	Variance Tonnes
Barnet	19,389	18,211	(1,178)	0	0	0
Camden	4,021	3,321	(700)	9,500	10,169	669
Enfield	0	0	0	0	0	0
Hackney	1,690	1,633	(57)	6,120	7,129	1,009
Haringey	6,100	5,997	(103)	17,360	18,783	1,423
Islington	3,755	3,290	(465)	14,625	14,008	(617)
Waltham Forest	8,200	7,864	(336)	18,000	16,948	(1,052)
<b>Total</b>	<b>43,155</b>	<b>40,316</b>	<b>(2,839)</b>	<b>65,605</b>	<b>67,037</b>	<b>1,432</b>

4.10 **Hornsey Street Transfer Station: (- £0.224m)**

4.10.1 This budget relates to both landlord costs and the additional costs incurred by LondonWaste Ltd in operating the Hornsey Street waste transfer station (compared with the former Ashburton Grove waste transfer station). In recent years LondonWaste Ltd has advised the Authority at its year-end that there have been no additional operating costs to be recovered. The Company has confirmed that this is expected to remain the case going forward and therefore no allowance has made for a claim in the period January to March 2013. This has resulted in a budget saving of £0.224m. There will be an ongoing budget saving in 2013/14 (see first budget review).

4.11 **Other Sites: (- £0.169m)**

4.11.1 This budget was provided to accommodate the cost of managing new sites acquired by the Authority. During 2012/13 only minor property maintenance costs were incurred at Pinkham Way.

4.12 **Household Waste Recycling Centres (HWRCs): (- £0.372m)**

4.12.1 The transfer of HWRCs to the Authority commenced in April 2012 (three centres transferred on 1<sup>st</sup> April, two in June and a further two in November). Although the fourth review allowed for some minor budget changes the original budget assumptions were largely retained until there was greater clarity on the costs of operation.

4.12.2 The costs of operating HWRCs are ring-fenced to the transferring borough, such that any under or over spend is carried forward to the levy calculation in the next available levy year. Table 4 provides details of the revenue balances position for each transferring borough at 31<sup>st</sup> March 2013:

**Table 4**

	<b>2012/13 Original Budget</b>	<b>2012/13 Revised Budget</b>	<b>2012/13 Outturn</b>	<b>31 March 2013 Balance carried forward</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>(Column 3 - 1)</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Camden	439,262	385,624	233,931	(205,330)
Haringey	245,516	208,289	200,426	(45,090)
Islington	564,685	564,594	552,562	(12,123)
Waltham Forest	764,968	819,198	618,716	(146,252)
<b>Total</b>	<b>2,014,431</b>	<b>1,977,705</b>	<b>1,605,635</b>	<b>(408,796)</b>

4.12.3 Table 4 indicates that the cost of operation is £0.409m lower than the original budget and £0.372m lower than allowed for in the fourth budget review. Principal reasons for this are an agreement with the boroughs that for 2012/13 the boroughs would directly bear premises and utility costs (£0.099m), better than anticipated net recycling costs (£0.090m) and savings in staffing and other operating costs offset by minor increases in management overheads (£0.183m).

4.13 **Corporate and Other Support Service Costs: (- £0.345m)**

4.13.1 This heading captures a wide-range of services provided to the Authority by Camden, Haringey, Waltham Forest, Enfield and a number of external providers. Savings have arisen principally as a result of lower use of services provided by the boroughs (£0.040m) and external providers (£0.186m). Additionally there was no call on a £0.075m budget provision for funding new initiatives. Other miscellaneous savings amounted to £0.044m.

4.14 **Waste Strategy and Contracts Team: (- £0.131m)**

4.14.1 Unfilled staff vacancies, overhead cost savings and an extended timetable for the implementation of the waste data management information system are the principal components of the underspend. The cost of the latter (£0.050m) will now be incurred in 2013/14.

4.15 **Recycling and Reuse Credit Scheme: (- £0.025m)**

4.15.1 Third party recycling and re-use credits claims submitted by registered organisations are lower than expected resulting in a saving of £0.025m against the revised budget.

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

4.16.1 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. Market prices for recyclates have held up better than anticipated since the preparation of the revised budget and in the outturn actual income and therefore the CIPS cost in 2012/13 is estimated to be £2.235m (includes 4<sup>th</sup> quarter provisional figures), i.e. an increase of £0.345m. The impact on the 2012/13 outturn is neutral to the Authority but beneficial to those boroughs in receipt of the CIPS payments which may be summarised as follows:

<b>Table 5</b>	<b>2012/13 Dry Recyclable Waste</b>	<b>2012/13 CIPS Payments (Includes 4th quarter provisional figures)</b>
	<b>Tonnes</b>	<b>£'000</b>
Barnet	0	0
Camden	10,169	188
Enfield	0	0
Hackney	7,129	256
Haringey	18,783	676
Islington	14,008	507
Waltham Forest	16,948	608
<b>Total</b>	<b>67,037</b>	<b>2,235</b>

Barnet and Enfield do not currently deliver dry recyclable waste to the Authority for treatment.

4.17 **Procurement and Sites and Planning Process Costs: (+ £0.151m)**

4.17.1 In the final outturn procurement process costs were slightly higher than allowed for in the fourth review at £0.186m whilst the planning process costs were slightly lower at £0.035m, i.e. a net increase of £0.151m.

4.18 **Excess Creditor Provision (previous years): (- £0.279m)**

4.18.1 Following agreement by the Authority of the LondonWaste Ltd 2011/12 landfill tax claim an excess creditor provision of £0.238m has been written back to revenue in 2012/13. The Company's 2011 Non Fossil Fuel (NFFO) compensation claim has also been agreed and this has enabled an excess creditor provision £0.021m to be written back in 2012/13.



4.19 **Landfill Allowance Trading Scheme (LATS)**

4.19.1 The Government has previously announced the cessation of the Scheme and 2012/13 was its final year.

4.19.2 Based on data currently available, in 2012/13 the authority is estimated to have landfilled 138,377 tonnes of biodegradable waste with the result that it has surplus allowances of 100,740 at 31 March 2013. As most waste disposal authorities are now in surplus, the LATS market continues to be very weak with very few trades taking place and at very low prices. The Authority did not trade any allowances in 2012/13.

4.19.3 In closing the 2011/12 accounts the Authority reduced the value of surplus allowances held at 31 March 2012 to zero. This approach has been continued and at 31 March 2013 the Authority has valued its surplus allowances at zero also.

4.20 **Interest on Balances: (- £0.117m)**

4.20.1 Interest relating to the outstanding compensation payment due to be paid by Transport for London (for land acquired under CPO powers at the frontage to the Edmonton Plant) was received in 2012/13. The final settlement sum of £0.613m was £0.041m greater than provided for in the revised budget. In addition there was an improvement in the interest received by the Authority from LondonWaste Ltd and interest obtained as a result the higher level of cash balances held by the Authority (£0.076m).

4.21 **Contingency: (- £1.374m)**

4.21.1 At its February meeting the Authority continued to adopt a prudent approach and decided to retain a contingency in the 2012/13 revised budget that would be available to accommodate possible unforeseen additional costs in the closing months of the year. This comprised a general contingency of £0.744m and a procurement and planning process contingency of £0.630m. There has been no call on the contingency.

4.22 **Charges to Boroughs for Non-Household Waste: (+£0.033m)**

4.22.1 At the budget meeting in February Members were provided an up-to-date assessment of the estimated cost to boroughs of non-household waste in 2012/13 (in accordance with the Authority's charging arrangements for this category of waste under section 52 (9) of the Environmental Protection Act 1990).

4.22.2 The meeting was also reminded that the final charges would be calculated as part of the 2012/13 final accounts process and that this would be reported to the Authority in June 2013. Any under or over payment by boroughs would be collected from or repaid to boroughs at that time.

4.22.3 Although actual income for the year is broadly in line with the 2012/13 revised budget a net repayment of £0.494m is now due to the boroughs. This is because under the Authority's charging arrangements for non-household waste, boroughs are required to make payments on account throughout the year on the basis of the original approved estimate for the relevant year, i.e. £9.981m in 2012/13. As indicated in the February

report, Barnet, Hackney, Islington and Waltham Forest are due to receive a refund but Camden, Enfield and Haringey will have to make an additional payment to the Authority.

4.22.4 Compared with the original budget assumptions there has been a residual tonnage reduction of 5,112 tonnes and a net price increase of £0.02 per tonne to £97.07.

4.22.5 Two Boroughs (Haringey and Islington) have also delivered recyclable non-household waste to the Authority for treatment at a cost of £50.63 for dry-recyclable waste (1,227 tonnes) and £59.94 for food waste (154 tonnes). In the case of dry-recyclable waste these tonnages are also eligible for a payment under the Authority's Commingled Income Payment Scheme (equivalent to c. £34 per tonne) and this has the effect of substantially offsetting the initial gate fee.

4.22.6 Details of the original, revised and actual costs of non-household waste are shown in Table 6 below.

<b>Table 6</b>	<b>2012/13 Original Estimate</b>	<b>2012/13 Revised Estimate</b>	<b>2012/13 Actual Cost</b>	<b>Repayment due (to)/from Borough</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>(Column 3 - 1)</b>
Cost per Tonne	£97.05	£97.09	£97.07	
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Barnet	1,477,683	1,441,690	1,434,598	(43,085)
Camden	3,286,598	3,411,354	3,408,710	122,112
Enfield	772,033	808,177	788,500	16,467
Hackney	1,882,285	1,628,005	1,627,670	(254,615)
Haringey *	287,210	300,791	296,152	8,942
Islington *	1,916,926	1,663,641	1,664,583	(252,343)
Waltham Forest	358,600	267,774	266,845	(91,755)
<b>Total</b>	<b>9,981,335</b>	<b>9,521,432</b>	<b>9,487,058</b>	<b>(494,277)</b>

\* Includes the cost of treating recyclable wastes.

#### 4.23 Ring Fencing of Balances

4.23.1 As outlined in the December 2012 budget report, with effect from 31 March 2013 balances will be ring fenced to each element of the levy. Paragraph 4.12 above provides an analysis of the Household Waste Recycling Centre balance of £0.409m at 31 March 2013. Of the remaining balance of £17.623m, £9.801m is attributable to the household tonnage element of the levy and £7,822m to the council tax element.

#### 4.24 Conclusion

4.24.1 The outturn shows that the Authority has a revenue surplus of £18.032m at 31 March 2013, i.e. an additional revenue surplus of £3.779m compared with the February forecast.

5. **Capital Budget 2012/13**

5.1 The Authority incurred no capital expenditure in 2012/13.

5.2 At 1 April 2012 the Authority held usable capital receipts of £0.621m. During the year £0.808m was received from Transport for London in respect the Compulsory Purchase of land at the frontage of the Edmonton Plant and £0.010m was received in return for the Authority granting of an easement to allow National Grid to construct a cable tunnel under the Hornsey Street facility. Total usable capital receipts held at 31 March 2013 are £1.439m.

6. **Accounts and Audit Regulations**

6.1 The 2012/13 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. Members will recall that following the Government's decision in 2010 to close the Audit Commission's audit practice function, KPMG were appointed as the Authority's auditors. 2012/13 is the first year of the new arrangements.

6.3 The draft statement will be audited by KPMG and presented to the Authority at its September Meeting so that the Authority may consider and approve the statement of accounts 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 2013. With this in mind it is recommended that the draft statement of accounts is submitted to the Members' Finance Working Group for review on 6 September 2013 ahead of the 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 2013/14 Revenue Budget**

7.1 At its meeting on 12 February 2013 the Authority agreed the 2013/14 budget at £67.390m, to be financed by estimated balances of £14.253m, charges to boroughs for non-household and chargeable household waste of £9.570m and £1.738m respectively, and a levy of £41.829m.

### 7.2 **General**

7.2.1 At this early stage of the financial year, tonnage data collected about the waste stream for April does not warrant a change to the budget assumptions for the cost of transport and disposal in 2013/14. 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.

### 7.3 **Hornsey Street Transfer Station**

7.3.1 LondonWaste Ltd has informed the Authority that as was the case in 2012/13 it is unlikely the company will incur additional costs in 2013/14 that would be reimbursable by the Authority. This is reflected by a reduction in the Authority's budgeted expenditure in this first review.

### 7.4 **Waste Data Management System**

7.4.1 The extended implementation timetable has resulted in expenditure of £0.050m slipping from 2012/13 into 2013/14.

### 7.5 **LondonWaste Ltd**

7.5.1 Members will have seen elsewhere on this agenda that LondonWaste Ltd is due to pay an interim dividend to the Authority of £3m on 14 June 2013. This is £0.5m better than that assumed in the 2013/14 approved budget and reflects the continued good performance of the Company in the early months of the year. Assuming the Company continues to perform as it hopes to for the remainder of 2013 there is a good prospect that a further dividend will be paid later in the year.

### 7.6 **Overview**

7.6.1 After allowing for the above changes and the higher level of balances brought forward from 2012/13 Table 7 below provides a summary of the current financial position.

<b>Table 7</b>	<b>2013/14 Original Budget £'000</b>	<b>2013/14 First Review £'000</b>	<b>Variance  £'000</b>
<b>Expenditure</b>			
Main Waste Disposal Contract (ex CA Waste)	25,243	25,243	0
Civic Amenity Waste	1,360	1,360	0
Landfill Tax	13,131	13,131	0
Composting Services	3,124	3,124	0
MRF Services	4,006	4,006	0
Hendon Transfer Station	547	547	0
Hornsey Street Transfer Station	1,708	792	(916)
Other Sites	400	400	0
Household Waste Recycling Centres	2,367	2,367	0
Corporate and other Support Service Costs	1,921	1,921	0
Waste Strategy and Contracts Team	895	945	50
Waste Reduction Programme – New Initiatives	308	308	0
Joint Communications Initiative	290	290	0
Recycling and Reuse Credit Scheme	205	205	0
Other Recycling Initiatives	62	62	0
Commingled Income Payment Scheme	1,937	1,937	0
Waste Contract – Procurement Process Costs	3,031	3,031	0
Sites and Planning Process Costs	255	255	0
Revenue Funding – Capital Programme	9,178	9,178	0
	<b>69,968</b>	<b>69,102</b>	<b>(866)</b>
<b>Less</b>			
<b>Income</b>			
Rents	(101)	(101)	0
Sale of Recyclates – Dry Recyclable Bulking	(1,937)	(1,937)	0
Sale of Recyclates - WEEE	(92)	(92)	0
Interest on Balances	(250)	(250)	0
Estimated Dividend Stream	(2,500)	(3,000)	(500)
	<b>(4,880)</b>	<b>(5,380)</b>	<b>(500)</b>
Net Expenditure	65,088	63,722	(1,366)
Contingency	2,302	2,302	0
<b>Total Net Expenditure</b>	<b>67,390</b>	<b>66,024</b>	<b>(1,366)</b>
<b>Financed By</b>			
Balances b/fwd	(14,253)	(18,032)	(3,779)
Charges to Boroughs (Non-household waste)	(9,570)	(9,570)	0
Charges to Boroughs (Chargeable Household Waste)	(1,738)	(1,738)	0
2013/14 Levy - Base Element	(39,440)	(39,440)	0
- HWRC Element	(2,389)	(2,389)	0
<b>Total Resources Available</b>	<b>(67,390)</b>	<b>(71,169)</b>	<b>(3,779)</b>
<b>Estimated Revenue Balances at 31 March 2014</b>	<b>0</b>	<b>(5,145)</b>	<b>(5,145)</b>

## 8. **Review of the Outlook for 2014/15 and Future Years**

- 8.1 At the Authority's budget meeting in February Members were advised that assuming full utilisation of revenue balances by 31 March 2014, further year-on-year increases in the waste stream of 1.5% per annum (as adjusted for further stepped increases in borough recycling), and boroughs making greater use of the Authority's composting and dry recycling contracts, the percentage increase in the levy was estimated to be 34.58% in 2014/15 and 2.68% in 2015/16. These forecasts assumed that the Authority's costs in the period 2013/14 to 2015/16 should be no greater than those that would arise under the Authority's current contractual arrangements. Owing to the new facilities and services that were expected to come on stream in 2016/17 the Authority was not in a position to clearly indicate how these could impact on the Authority's costs in 2016/17. The increase for 2014/15 reflected the decision to use forecast revenue balances of £14.253m at 31 March 2013 to part fund the 2013/14 budget and the need to make good this usage in 2014/15 (this accounts for 34.07% of the increase). Future years' forecasts did not assume the availability of any in-year balances to offset the levy increase in this period.
- 8.2 Assuming that the forecast additional balances at 31 March 2014 of £5.145m identified in Table 7 above are used to assist with the funding of the 2014/15 budget, the overall average levy increases in 2014/15 and 2015/16 are now forecast to be 20.01% and 13.21% respectively based upon current contractual arrangements. Members will appreciate from this report that the Authority begins 2013/14 with a stronger financial base than forecast in February and that there is a reasonable prospect of further improvements in 2013/14. The Authority was advised of this possibility at the budget and levy setting meeting in February.
- 8.3 At the time of writing decisions have yet to be made on the selection of bidders for the Authority's procurements and therefore the outlook for future years will be updated in the coming months in the light of progress made with the procurement project.

## 9. **Conclusion**

- 9.1 This report has set out reasons for the improvement in revenue balances at 31 March 2013. Allowing also for the first budget review the Authority begins 2013/14 in good financial health. Members will be kept informed of developments in future budget reviews.

## 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 2013 – Revenue Budget and Levy 2013/14  
2012/13 Final Account Working Papers  
2013/14 budgetary control working papers

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