

NORTH LONDON WASTE AUTHORITY

REPORT TITLE

2009/10 REVENUE AND CAPITAL BUDGETS FINAL OUTTURN AND 2010/11 FIRST BUDGET REVIEW

REPORT OF

FINANCIAL ADVISER

FOR SUBMISSION TO

DATE

AUTHORITY MEETING

30th JUNE 2010

1. SUMMARY OF REPORT

This report provides details of actual expenditure and income for 2009/10 and briefly comments on the current financial position and outlook for future years. The report indicates that balances at 31 March 2010 were £13.353m, i.e. an increase of £3.627m compared with the February forecast. Allowing, however, for changes identified by the first budget review, surplus balances at 31 March 2011 are currently estimated to be £3,554m. The medium term outlook for the period 2011/12 to 2013/14 has been updated to allow for the forecast increase in balances; however, in view of the range of potential changes to the Authority's cost profile over the coming months it is intended to report back to the Authority in September with a more detailed assessment of the Authority's future budget and resource needs.

2. RECOMMENDATIONS

The Authority is requested to:-

- (i) Note the 2009/10 final outturn (subject to audit).
- (ii) Note the over payments by boroughs in respect of non-household waste in 2009/10 and the arrangements for repayment to the boroughs.
- (iii) Approve the 2009/10 draft Statement of Accounts (Appendix A).
- (iv) Agree to carry forward slippage from 2009/10 to 2010/11 in the sum of £0.688m.
- (v) Note the first review of the 2010/11 budget.
- (vi) Note that a second review of the 2010/11 budget will be submitted to the Authority in September.
- (vii) Note the current outlook for 2011/12, 2012/13 and 2013/14 and that a more detailed financial assessment of the medium term budget and resource requirements will be reported to the Authority in September.

Signed by the Financial Adviser:

Date:

3. **Introduction**

3.1 At its meeting on the 10 February 2010 the Authority was provided with an up-to-date assessment of its financial position. This included the fourth review of the 2009/10 budget. The latter formed the basis of the 2009/10 approved revised budget and provided guidance on the level of surplus resources available to assist with funding of the 2010/11 budget.

3.2 The accounts for 2009/10 are now closed and therefore the main purpose of this report is to provide details of the 2009/10 final outturn (subject to audit) and to seek approval of the 2009/10 draft Statement of Accounts. The opportunity is also taken to provide details of the 2010/11 first budget review and to briefly comment on the outlook for future years.

4. **2009/10 Final Outturn**

4.1 At its meeting on 11 February 2009 the Authority agreed an original budget of £60.221m to be financed by estimated revenue balances of £4.428m, charges to boroughs for non-household waste of £12.146m and a levy of £43.647m.

4.2 In subsequent reviews Members have been advised of:

- The higher level of balances brought forward from 2008/09 (- £2.383m),
- A slippage of income from 2008/09 (- £0.612m),
- A projected reduction in borough recyclable wastes sent to the Authority for treatment and lower gate fees (- £1.721m),
- A reduction in the costs of transport, disposal and landfill tax due to reduced tonnages and the likely reduction in the LondonWaste Ltd landfill tax claim (- £1.225m),
- A reduction in the LondonWaste Ltd Compensation Review Claim (- £0.804m),
- Slippage in the Capital Programme – revenue saving (- £3.661m),
- Hornsey Street additional operating costs – reductions arising from settlement of the 2004 claim by LondonWaste Ltd (- £0.616m),
- Additional procurement process and acquisition process costs (+ £1.338m)
- Reduction in non-household waste income due to a reduction in the waste stream (+ £0.946m).
- Miscellaneous other changes (- £0.988m).

4.3 As a consequence the Authority was advised in February that it would be reasonable to assume that forecast revenue balances of £9.726m at 31 March 2010 could be taken into account when considering its budget and levy requirements for 2010/11.

4.4 The actual revenue surplus for the year ended 31 March 2010 is £13.353m, i.e. an increase of £3.627m compared with the February 2010 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.

Table 1

	2009/10 Original Budget	2009/10 Revised Budget	2009/10 Final Outturn	Variance between Revised & Outturn £'000
Expenditure	£'000	£'000	£'000	£'000
Main Waste Disposal Contract (ex CA Waste)	26,434	25,678	25,404	(274)
Composting Services	3,837	3,490	2,873	(617)
Dry Recyclable Waste Services	3,528	2,205	2,169	(36)
Civic Amenity Waste	1,603	1,564	1,549	(15)
Landfill Tax	9,932	8,465	8,344	(121)
Hendon Transfer Station	790	597	595	(2)
Hornsey Street Transfer Station	2,771	2,585	2,586	1
Recycling Credits	200	162	149	(13)
Other Recycling Initiatives	140	145	74	(71)
BMW Diversion Incentive Scheme	526	392	392	(0)
Commingled Income Payment Scheme	0	426	562	136
Agency Services	705	577	426	(151)
Governance and Other Support	500	500	272	(228)
Waste Strategy and Contracts Team	1,031	990	868	(122)
Waste Composition Survey	200	171	95	(76)
Waste Contract – Procurement Process Costs	2,970	3,678	3,484	(194)
Waste Contract – Acquisition Costs	0	968	948	(20)
Waste Contract – Planning Application Costs	900	576	178	(398)
Annual Compensation	32	31	30	(1)
Provision for possible Litigation Costs	50	50	0	(50)
Revenue Funding – Capital Investment	3,663	2	2	0
LATS – Use of Allowances	4,308	4,308	50	(4,258)
LATS – Transfer to Reserve	0	0	40	40
Excess Creditor Provision (Previous Years)	0	(538)	(1,892)	(1,354)
	<u>64,120</u>	<u>57,022</u>	<u>49,198</u>	<u>(7,824)</u>
Less				
Income				
Rents	(86)	(89)	(89)	(0)
Sale of Recyclates	(0)	(426)	(562)	(136)
Interest on Balances	(255)	(767)	(152)	615
LATS – Grant	(4,308)	(4,308)	(90)	4,218
Estimated Dividend Stream	(0)	(0)	(0)	(0)
	<u>(4,649)</u>	<u>(5,590)</u>	<u>(893)</u>	<u>4,697</u>
Net Expenditure	59,471	51,432	48,305	(3,127)
Contingency	750	500	0	(500)
Total Net Expenditure 2009/10	60,221	51,932	48,305	(3,627)
	=====	=====	=====	=====
Financed By :-				
Balances b/fwd	(4,428)	(6,811)	(6,811)	0
Charges to Boroughs (Non-household waste)	(12,146)	(11,200)	(11,200)	0
2009/2010 Levy	(43,647)	(43,647)	(43,647)	0
Total Resources Available	(60,221)	(61,658)	(61,658)	0
	=====	=====	=====	=====
Estimated Revenue Balances as at 31 March 2010	0	(9,726)	(13,353)	(3,627)

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

4.8 **Transport, Disposal and Landfill Tax : (- £0.410m)**

4.8.1 In February, Members were advised that based upon tonnage data available for the period up to December 2009 the figures indicated a net reduction of 3.65% in the residual waste stream compared with the level of residual waste entering the waste stream over the same period in 2008/09, i.e. a adverse change of 0.77% compared with the previous forecast. As the meeting would be taking decisions on the budget and resource requirements for 2010/11 it was considered prudent to adopt a degree of caution in projecting the tonnage outturn for the year. The fourth review therefore allowed for an increase of 1% growth in the waste stream for the remainder of the year. On this basis the residual waste stream for the year was estimated to reduce by 12,794 tonnes to 687,409 tonnes compared with the original budget assumption of 700,203 tonnes, and by 21,394 tonnes compared with the residual tonnage outturn for 2008/09 (708,803 tonnes).

4.8.2 In the final outturn the tonnage figures indicate that whilst 3 boroughs experienced a relative small increase in their residual waste in the last quarter of 2009/10 this was more than offset by further reductions in the waste streams of other boroughs (for details please refer to Table 2 below). The actual residual waste stream for the year was 681,038 tonnes, i.e. a reduction of 27,765 tonnes (3.92%) compared with 2008/09 actual tonnages, and a reduction of 6,371 tonnes compared with the fourth budget review. As a result, compared with the revised budget, the cost of transport and disposal has reduced by £0.289m. As a consequence, the 2009/10 landfill tax claim by LondonWaste Ltd is also estimated to reduce by £0.121m.

4.8.3 Details of the actual percentage movement in 2009/10 residual tonnage levels for each borough compared with 2008/09 tonnages may be summarised as follows:-

Table 2	2009/10 February Forecast	2009/10 Actual	Variance
Barnet	- 4.56%	- 4.44%	+ 0.12%
Camden	- 4.23%	- 4.36%	- 0.13%
Enfield	- 4.86%	- 5.91%	- 1.05%
Hackney	- 2.81%	- 3.55%	- 0.74%
Haringey	- 4.47%	- 5.20%	- 0.73%
Islington	- 5.09%	- 5.05%	+ 0.04%
Waltham Forest	+ 1.05%	+ 1.75%	+ 0.70%
Overall position	- 3.65%	- 3.92%	- 0.27%

4.9 **Composting Services and Dry Recyclable Bulking Arrangements: (- £0.653m)**

- 4.9.1 In January 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 2009/10 fourth budget review assumptions for these services. The actual level of recyclable materials passed to the Authority for bulking and treatment is, however, lower than forecast resulting in a saving of £0.617m in respect of composting services and £0.036m in respect of the dry recyclable bulking service (see Table 3 below for tonnage details).

Table 3	Composting Services			Dry Recyclable Bulking		
	2009/10 Fourth Budget Review Tonnes	2009/10 Final Outturn Tonnes	Variance Tonnes	2009/10 Fourth Budget Review Tonnes	2009/10 Final Outturn Tonnes	Variance Tonnes
Barnet	24,000	18,251	(5,749)	0	0	0
Camden	5,237	5,175	(62)	10,152	9,656	(496)
Enfield	10,350	9,681	(669)	0	157	157
Hackney	5,050	4,345	(705)	3,500	3,163	(337)
Haringey	4,900	4,978	78	13,600	13,841	241
Islington	4,043	3,343	(700)	13,534	13,400	(134)
Waltham Forest	11,250	9,690	(1,560)	6,000	5,987	(13)
Total	64,830	55,463	(9,367)	46,786	46,204	(582)

4.10 **Commingled Income Payment Scheme/Income from the sale of Recyclates**

- 4.10.1 As a consequence of new contract arrangements which came into effect in October 2009 for the provision of dry recyclable sorting services to boroughs, the Authority introduced a commingled income payment scheme for those boroughs sending their recyclable wastes to the Authority for treatment. The cost of the scheme is funded from the income that the Authority receives from the sale of these recyclates. The revised budget assumed an income and payment scheme cost of £0.426m. Actual income and therefore scheme cost is £0.562m. The impact on the 2009/10 outturn is therefore neutral to the Authority (but beneficial to those boroughs in receipt of the payments).

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

- 4.11.1 The overall impact of the LATS transactions shown in Table 1 is to have a nil impact on the Authority's outturn for 2009/10. All entries are notional and have no real cash value.
- 4.11.2 The LATS scheme came into effect on 1st April 2005 with a view to reducing the level of biodegradable municipal waste that can be sent to landfill. The Government intends to impose a penalty payment of £150 per tonne for all biodegradable waste sent to landfill that is not covered by an allowance. The Authority has previously been

advised that it should enjoy a favourable trading position in the period until 2009/10 (the Government's first target year) and also until at least 2013/14. Whilst the Authority had projected to have surplus allowances in 2009/10 the impact of a turbine loss at the Edmonton Energy-from-Waste facility, which resulted in a 24% reduction in the amount of waste that could be treated at the facility, meant that the Authority could have a much lower surplus than previously envisaged. Nevertheless, in view of further reductions in the waste stream and continuing recycling activity by the boroughs the Authority is currently estimated to have used only 199,000 of its allowance allocation in 2009/10 resulting in a surplus of 160,000 allowances. The Authority has previously been advised that there is a surplus of allowances in the LATS market and that there are very few waste disposal authorities with a need to buy additional allowances in the market. Although the 2009/10 DEFRA weighted average LATS value has been set at £16.57 for the year - based upon early and a very limited number of trades - the market value at year-end in real terms has reduced to a matter of pennies per allowance.

4.11.3 For the purpose of closing the 2009/10 accounts a LATS value of £0.25 has been used. As a consequence the notional value of allowances issued to the Authority are estimated to have a value of £0.090m, of which £0.050m is estimated to be the value of allowances used leaving an amount of £0.040m as the value of allowances not used at 31 March 2010. As 2009/10 has been designated a target year the notional value of any allowances not sold by the end of the LATS reconciliation period will be written-off.

4.11.4 The DEFRA LATS value is important for the purpose of calculating the Authority's Biodegradable Municipal Waste Diversion Incentive Payment to boroughs and calculation of the LATS premium charge included in the Authority's non-household charge to boroughs. The Authority has previously decided to restrict LATS values to £12 for the purpose of these calculations and therefore this restriction has been used in 2009/10. This means that for 2009/10 the BMW reward payment is £6 per tonne and the LATS premium for non-household waste is £2.55.

4.12 **Recycling Credits : (- £0.013m)**

4.12.1 Third party recycling and re-use credits claims submitted by registered organisations are lower than expected and therefore there is a saving of £0.013m against the revised budget.

4.13 **BMW Diversion Incentive Scheme**

4.13.1 This scheme is designed to reward constituent councils for the amount of biodegradable municipal waste (BMW) that they divert from the waste stream compared with each borough's actual BMW tonnage diversion in 2004/5. The scheme provides for a BMW payment equivalent to 50% of LATS values for every additional tonne of BMW waste diverted from the waste stream. The 2009/10 accounts have been based upon the Authority's estimate of the additional amount of BMW wastes diverted from the waste stream at a rate of £6 per tonne.

4.14 **Other Recycling Initiatives : (- £0.071m)**

4.14.1 Lower than expected activity, primarily in relation to the nappy support scheme, furniture reuse project and slippage in payments to be made in respect of the Community Projects Fund has resulted in a saving of £0.071m. In relation to the Community Project Fund approval has been given to projects with value of £0.019m which will not now be paid until 2010/11 and therefore it is recommended elsewhere on this agenda that the unspent budget provision is carried forward to 2010/11. The latter is reflected in the first budget review.

4.15 **Agency Services : (- £0.151m)**

4.15.1 Expenditure on most services provided under this category have been broadly in line with the budget assumptions except in the case of external technical and corporate financial support to the Authority where there has been an under spend of £0.088m. Also, some expenditure has slipped into 2010/11 but it is expected that these costs should be capable of being contained within the 2010/11 Agency Services budget. However, slippage of internal audit work into 2010/11 will be additional to work planned for 2010/11 and therefore it is recommended that the budget saving of £0.020m is carried forward to supplement the 2010/11 budget. This is allowed for in the first budget review. Other savings include lower than budgeted costs for financial and legal services provided by the London Borough of Camden.

4.16 **Governance and Other Support : (- £0.228m)**

4.16.1 This budget was established to improve the governance and support arrangements provided to the Authority. Following the decision of the Authority to transfer the Authority's Haringey employed support staff to the London Borough of Camden and therefore the 2009/10 budget allowed for the cost of staff migrating to IT systems provided by Camden. Staff transferred to Camden on 1st April 2010 and therefore the planned IT transfer did not take place in 2009/10 but is now programmed for 2010/11. As a consequence, it is recommended that the unspent budget provision of £0.175m is carried forward to 2010/11. The latter is reflected in the first budget review. Further savings of £0.53m have arisen as a result of lower than planned expenditure on new initiatives in the closing months of the year.

4.17 **Waste Strategy and Contracts Team : (- £0.122m)**

4.17.1 Savings have arisen as a result of a staff vacancy, lower than budgeted operational and project based costs, and lower than budgeted costs for support services provided by the London Borough of Haringey.

4.18 **Waste Contract – Procurement Process Costs : (- £.194m)**

4.18.1 The Authority received notification of Government PFI support at the end of March 2010 and therefore preparation work for the procurement process was slightly delayed. This is the main reason for the 2009/10 under spend and although this expenditure will now be incurred in 2010/11 it is not currently envisaged that the 2010/11 approved procurement process costs budget will be exceeded.

4.19 **Waste Contract - Planning Application Costs : (- £0.398m)**

4.19.1 The cost of progressing the Authority's planning work in connection with the Pinkham Way site is progressing, however in view of delays experienced during the closing months of the year work programmed to be completed in 2009/10 has slipped into 2010/11. As a consequence, it is recommended that the unspent budget provision of £0.398m is carried forward to 2010/11. The latter is reflected in the first budget review.

4.20 **Waste Composition Survey : (- £0.076m)**

4.20.1 The Authority is committed to undertaking an up-to-date waste composition survey to assist with preparations for the new waste contracts. This work was programmed and budgeted to be spent in 2009/10 but will now complete in the early part of 2010/11. As a consequence it is recommended that the unspent budget provision of £0.076m is carried forward to 2010/11. The latter is reflected in the first budget review.

4.21 **Provision for Possible Litigation Costs : (- £0.050m)**

4.21.1 In addition to the cost of legal support services contained within the Agency Services budget a separate budget provision is held to meet the potential costs of litigation with third parties. This provision was not called upon in 2009/10.

4.22 **Contingency : (- £0.500m)**

4.22.1 Although individual budget heads were reviewed in the light of the latest available information, it was considered prudent for the 2009/10 revised budget to retain a contingency of £0.500m to accommodate possible unforeseen additional costs in the closing months of the year. This was not required.

4.23 **Excess Creditor Provision (previous years) : (- £1.354m)**

4.23.1 Following a review of the creditor provisions made in respect of previous financial years an additional sum of £1.354m has been determined as surplus to requirements and can therefore be written back to revenue in 2009/10. The improvement arises mainly (£1.302m) from favourable settlement of LondonWaste Ltd landfill tax claims for the period 2005/06 to 2008/09.

4.24 **Interest on Balances : (+ £0.615m)**

4.24.1 The revised budget assumed that interest relating to the outstanding compensation payment due to be paid by the Highways Agency for land acquired under CPO powers at the frontage to the Edmonton Plant would be paid in 2009/10. The income from this source, estimated to be in the region of £0.615m, will now slip into 2010/11.

4.25 **Charges to Boroughs for Non-Household Waste**

4.25.1 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 2009/10 (in accordance with the Authority's charging arrangements for this category of waste under section 52 (9) of the Environmental Protection Act 1990).

4.25.2 The meeting was also reminded that the final charges will be calculated as part of the 2009/10 final accounts process and that this would be reported to the Authority in

June 2010. Any under or over payment by boroughs would be collected from or repaid to boroughs at that time.

- 4.25.3 Although actual income for the year is in line with the 2009/10 revised budget a repayment of £0.946m is now due to be repaid to 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 year in question, i.e. £12.146m in 2009/10. Based upon 2009/10 outturn tonnages all boroughs will receive a refund.
- 4.25.4 Compared with the original budget assumptions there has been a tonnage reduction of 12,438 tonnes and a net price reduction of £0.29 per tonne.
- 4.25.5 Details of the original, revised and actual costs of non-household waste are shown in Table 4 below.

Table 4	(1)	(2)	(3)	(4)
	2009/10 Original Estimate	2009/10 Revised Estimate	2009/10 Actual Cost	(Payment due to/from Boroughs (Column 3 - 1)
Cost per tonne	£72.20	£71.91	£71.91	
	£	£	£	£
Barnet	1,631,720	1,480,627	1,473,652	(158,068)
Camden	3,460,907	3,167,348	3,166,197	(294,710)
Enfield	1,075,202	1,007,387	1,007,387	(67,815)
Hackney	2,062,104	1,909,858	1,909,930	(152,174)
Haringey	1,131,013	1,108,636	1,117,338	(13,675)
Islington	1,952,649	1,807,314	1,808,338*	(144,311)
Waltham Forest	832,466	719,244	717,302	(115,164)
	12,146,061	11,200,414	11,200,144	(945,917)

* This figure includes a payment in respect non-household dry recyclable waste sent to the Authority for treatment (110 tonnes at a cost of £47.23 per tonne).

4.25 **Conclusion**

- 4.25.1 The accounts show that the Authority has a revenue surplus of £13.353m at 31 March 2010, i.e. an additional revenue surplus of £3.627m compared with the February forecast. As £0.688m of this saving is a direct result of slippage it is recommended that this figure is added to the 2010/11 budget to enable the areas of work that have slipped to be funded in 2010/11. Income of £0.615m has also slipped into 2010/11 and this also has been allowed for in the 2010/11 first budget review.

5. **Capital Budget 2009/10**

5.1 The Authority incurred capital expenditure of £97.686m in 2009/10 in connection with the purchase of shares in LondonWaste Ltd.

5.2 The Authority holds usable capital receipts of £0.621m.

6. **Accounts and Audit Regulations 1996**

6.1 This report has provided details of the final outturn of the Authority's expenditure and income for 2009/10. In addition the Accounts and Audit Regulations 1996 also require the Authority to formally approve the supporting annual statement of accounts for audit.

6.2 The responsible officer, which in the case of the NLWA is the Financial Adviser, is required to sign and date the statement of accounts; and the 2009/10 accounts must be approved by the Authority by 30 June.

6.3 The draft statement is attached at Appendix A to this report. Once the Statement has been approved, it will be formally presented for audit, with a view to publication of the final audited statement of accounts by 30 September 2010. The District Auditor is scheduled to report the findings of its audit to the Authority at its September meeting. Once published, the final Statement will be circulated to all Members of the Authority. Members will be informed of any material changes arising from the audit.

7. **First Review of the 2010/11 Revenue Budget**

7.1 At its meeting on 10 February 2010 the Authority agreed the 2010/11 budget at £65.626m, to be financed by estimated balances of £9.726m, charges to boroughs for non-household waste of £12.388m and a levy of £43.512m.

7.2 **General**

7.2.1 At this early stage in the 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 2010/11. 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 **Miscellaneous Expenditure slipped from 2009/10 to 2010/11**

7.3.1 Reference has been made in the review of the 2009/10 final outturn to areas of work programmed for 2009/10 but have slipped to 2010/11. The first review allows for the 2010/11 budget to be supplemented by £0.688m in the following areas:

	£
Community Project Fund	0.019m

Agency Services – Internal Audit	0.020m
Governance – IT migration to Camden systems	0.175m
Waste Composition Survey	0.076m
Procurement – Planning Application Costs	0.398m
Total	0.688m

7.4 **Interest on Balances : (- £0.615m)**

7.4.1 At 4.24 above Members were advised that interest relating to the outstanding compensation payment due to be paid by the Highways Agency would now be paid in 2010/11. This has been allowed for in the first budget review.

7.5 **Overview**

7.5.1 After allowing for the foregoing changes and the higher level of balances brought forward from 2009/10 Table 5 below provides a summary of the current financial position.

Table 5	2010/11 Original Budget	2010/11 First Review	Variance
Expenditure	£'000	£'000	£'000
Main Waste Disposal Contract (ex CA Waste)	26,166	26,166	
Civic Amenity Waste	1,588	1,588	
Landfill Tax	10,950	10,950	
Composting Services	4,117	4,117	

Dry Recyclable Waste Services	2,164	2,164	
Hendon Transfer Station	491	491	
Hornsey Street Transfer Station	2,699	2,699	
Other Sites	250	250	
Recycling Credits	204	204	
Other Recycling Initiatives	143	162	19
BMW Diversion Incentive Scheme	494	494	
Commingled Income Payment Scheme	758	758	
Agency Services	726	746	20
Governance and Other Support	530	705	175
Waste Strategy and Contracts Team	1,107	1,107	
Waste Composition Survey	0	76	76
Waste Contract – Procurement Process Costs	3,594	3,594	
Waste Contract – Acquisition Costs	82	82	
Waste Contract – Planning Application Costs	618	1,016	398
Annual Compensation	32	32	
Provision for possible Litigation Costs	50	50	
Revenue Funding – Capital Investment	8,621	8,621	
Revenue Contributions to Capital Outlay	5,000	5,000	
LATS – Use of Allowances	<u>3,828</u>	<u>3,828</u>	
	74,212	74,900	688
Less			
Income			
Rents	(91)	(91)	
Sale of Recyclates	(758)	(758)	
Interest on Balances	(200)	(815)	(615)
LATS – Grant	(3,828)	(3,828)	
Estimated Dividend Stream	<u>(5,000)</u>	<u>(5,000)</u>	
	(9,877)	(10,492)	(615)
Net Expenditure	64,335	64,408	
Contingency	<u>1,291</u>	<u>1,291</u>	
Total Net Expenditure 2010/11	65,626	65,699	73
	=====	=====	=====
Financed By :-			
Balances b/fwd	(9,726)	(13,353)	(3,627)
Charges to Boroughs (Non-household waste)	(12,388)	(12,388)	
2010/11 Levy	<u>(43,512)</u>	<u>(43,512)</u>	
Total Resources Available	(65,626)	(69,253)	(3,627)
	=====	=====	=====
Estimated Revenue balances			
As at 31 March 2011	0	(3,554)	(3,554)

8. **Review of the Outlook for 2011/12, 2012/13 and 2013/14**

- 8.1.1 At the Authority's budget meeting in February Members were advised that assuming full use of balances by 31 March 2011, and projected changes in the waste stream that the percentage increase in the cost to the Boroughs in 2011/12 was estimated to rise by 25.6%, a further increases of 7.4% in 2012/13 and a reduction of 9% in 2013/14. The forecast increase for 2011/12 reflected the fact that surplus balances of £9.726m have been used to part fund the 2010/11 budget. This forecast was based upon known and quantifiable changes only, including landfill tax rates where the standard rate of tax is expected to rise by stepped increases of £8 per tonne per year over this period. The medium term budgets also allowed for the continued transfer of recyclates to the Authority for treatment and the continuation of the procurement processes. Although the medium term forecast allowed for the revenue cost of funding a sites acquisition programme through prudential borrowing, no other additional allowance was made for the substantive costs of implementing the North London Joint Waste Strategy.
- 8.2 Work in connection with the development of an Inter Authority Agreement (IAA) over the coming months between the Authority and its constituent boroughs will have an important role to play in ensuring that the procurement project secures the most appropriate waste treatment facilities and services for the next 30 to 35 years. The Agreement will also provide the framework for how boroughs will in future pay for the cost of waste services provided by the Authority to the boroughs. Outcomes from the development of the IAA could therefore impact on current medium term budget assumptions. Also, the Authority is not yet in a position to assess whether waste stream trends and borough planned recycling activity is in line with previous budget assumptions. This information should also emerge over the coming months. As a consequence, the outlook for future years will be kept under review and reported to the Authority at future budget reviews.
- 8.3 Members will appreciate that the Authority begins 2010/11 with a stronger financial base than forecast in February. This is good news and provides the Authority with the means to accommodate a degree of adverse change should this arise over the coming year. Nevertheless, if at the time of setting the budget and levy for 2011/12 next February the Authority is forecast to have surplus revenue balances at 31 March 2011 then the Authority could decide to in effect return forecast surplus balances to boroughs by reducing the 2011/12 levy. This would be in keeping with normal practice and hitherto reflects the preference of borough Directors of Finance, i.e. constituent boroughs would plan to manage levy increases within their borough budgets. Table 6 below illustrates the potential impact on the 2011/12 and subsequent year's levies if the current level of surplus revenue balances remains available at 31 March 2011 and is used to reduce the 2011/12 levy. It is proposed to reaffirm this approach during the course of the budget process for next year.

Table 6

2011/12	2012/13	2013/14
£'000	£'000	£'000

Net Budget	68,266	73,665	69,714
Less Forecast Revenue Balances	3,554	Nil	Nil
Resource Requirement	64,712	73,665	69,714
Funded by:			
Non-household Charges	13,620	14,957	6,296
Levy	51,092	58,708	53,418
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Total Cost to Boroughs Constituent Councils	64,712	73,665	69,714
Average % increase over the cost in previous year – Non-household - Levy*	9.95% 17.42%	9.82% 14.91%	8.95% (9.01%)

* This is an average figure. The financial impact for each borough will be different.

9. **Conclusion**

9.1 The Authority begins 2010/11 with a stronger financial base than forecast in February. This is good news and provides the Authority with the means to accommodate a degree of adverse change should this arise over the coming year. Additionally, if surplus revenue balances continue to be available next February these may provide the Authority with a degree of flexibility when considering its funding options for the 2011/12 budget. On the basis of current information, however, the 2010/11 budget and resource position is expected to remain sufficiently robust to meet the costs of the Authority's waste disposal obligations in the current year.

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 10 February 2010 – Revenue Budget and Levy 2010/11
2009/10 Final Account Working Papers
2010/11 budgetary control working papers

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