

REPORT TITLE

REVENUE BUDGET AND LEVY 2008/09

REPORT OF

FINANCIAL ADVISER

FOR SUBMISSION TO

AUTHORITY MEETING

DATE

6 FEBRUARY 2008

1. SUMMARY OF REPORT

This report indicates that following a fourth review of the 2007/08 budget the Authority is currently estimated to have a revenue surplus of £3.164m at 31 March 2008. A further assessment of the budget and resource requirements for the year ahead indicates that the 2008/09 net budget requirement is £51.873m, which after use of forecast revenue balances of £3.164m, will require funding of £48.709m by constituent councils. It is proposed that £10.880m will be funded through the non-household charging arrangement, this represents an increase of £1.996m (22.47%) over the original estimated cost in 2007/08 and reflects both the increasing costs of waste treatment and implementation of the new method of determining non-household charges as approved by the Authority at its September 2007 meeting. Finally, it is proposed that the remaining costs of the Authority will be funded through a levy of £37.829m, i.e. an increase of £2.928m (8.39%) over the 2007/08 levy.

This report proposes to return the benefit of forecast balances at 31 March 2008 to constituent councils by using the surplus balances to assist with the funding of the 2008/09 budget. However, Members should bear in mind that if balances are fully utilised in 2008/09 constituent councils face the prospect of a more significant levy increase in 2009/10.

In view of the notifications received from a number of constituent councils confirming their support for the default provisions set out in the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, the 2008/09 levy will be apportioned in accordance with these regulations and represents the first full year of operation without transitional arrangements. As a consequence the 'household waste' element of the levy will be apportioned wholly on a tonnage basis whilst the 'other' and much smaller element of the levy will be apportioned on a council tax basis.

2. RECOMMENDATIONS

The Authority is requested to:-

- (i) Consider the 2007/08 revised budget and 2008/09 proposed budget.
- (ii) Agree the 2008/09 non-household waste charge at £62.53 per tonne.
- (iii) Satisfy itself that the proposed budget will be sufficient to meet the net expenditure requirements for the year ahead and agree the 2008/09 budget.
- (iv) Note the medium term budget forecast for 2009/10, 2010/11 and 2011/12 .
- (v) Determine the levy for 2008/09.
- (vi) Note that the levy will be apportioned in accordance with default provisions of the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006.
- (vii) Authorise the Financial Adviser to make the arrangements for collection of the levy and charges for non-household waste.
- (viii) Approve the Prudential Indicators as set out at section 8.

Signed by the Financial Adviser:

Date:

3. **Introduction and Background**

- 3.1 At its meeting on 12 December 2007 Members were provided with an up to date assessment of the Authority's financial position, including an assessment of the budget and resource requirements for 2008/09.
- 3.2 Allowing for the use of forecast balances at 31 March 2008 of £2.987m, it was estimated that the total net cost to constituent councils in 2008/09 could be in the order of £50.167m, an increase of £6.382m (14.6%) over the total cost to boroughs in 2007/08 (£43.785m). The projected increase included an increase in the levy of £4.353m (12.5%) and an increase of £2.029m (22.8%) in non-household charges. The third review also drew attention to the budget issues that would need to be addressed at this meeting. With this in mind, the Chairman indicated that an all-party Member Group would meet early in January to discuss the budget setting for the next financial year. This meeting took place on 11 January 2008. Officers have also consulted with the Directors of Finance of the constituent boroughs in relation to both the procurement budget and the proposals for a capital programme, as requested.
- 3.3 The Budget Scrutiny Committee considered in detail the assumptions which underpinned the 2008/09 budget forecast that had been presented to Members at the December meeting of the Authority. I believe that it would be fair to say that Members were satisfied with the explanations given. In relation to the procurement budget, this was examined in more detail than that possible at the December meeting. Again, Members were satisfied with the explanations given and accepted that the budget should be set at a level to maintain the momentum of the procurement process over the year. Members took comfort from the assurance that the specific contingency provision could be used only with the agreement of Members. Finally, Members were also provided with a business case supporting the establishment of a capital programme for the acquisition of possible sites on which to provide a materials recycling facility and an in-vessel composting facility. The initial figures provided indicated that over a ten-year period this should result in an average annual saving of c. £1.37m per annum. Members were satisfied that there appeared to be a clear business case for a capital programme along the lines proposed. Members were advised that although the figures could be refined it would not alter the underlying business support for the proposal. The figures have indeed since been refined, and although in the first three years it will be necessary to pay the capital financing costs without the benefit of a transport costs saving, the annual saving should be of at least £1.45m from year 4 onwards and rising (equivalent to a levy reduction of c. 3.3% per annum). Whilst the average saving over the first ten years reduces to £0.823m per annum, after year ten the average should be at least £1.520m per annum.
- 3.4 I met with borough Directors of Finance or their representatives on 23 January 2008. The opportunity was taken to provide an update on the progress of the procurement timetable and the issues that would need to be addressed over the coming months and year. As a result there was general support for both the level and approach to the procurement costs budget and the business case for a capital programme. There was also a view that effective independent challenge needed to be built into the procurement process and that Directors of

Finance of the constituent boroughs needed to be kept informed and involved throughout. Options for building this into key stages of the process are being identified.

- 3.5 This report provides an up to date assessment of the 2007/08 budget and presents for consideration a draft budget for 2008/09.
- 3.6 Having taken account of the relevant factors the Authority must:-
- (i) be satisfied that the proposed budget will be sufficient to meet the net expenditure requirements for the year;
 - (ii) determine the levy.
- 3.7 Details of the approved budget and levy for 2008/09 must be notified to constituent councils for inclusion in their Council Tax charge before 15 February 2008.

4. **Review of the 2007/08 Revenue Budget**

- 4.1 At its meeting on 7 February 2007 the Authority agreed an original budget of £48.593m to be financed by estimated balances of £4.808m, charges to boroughs for non-household waste of £8.884m and a levy of £34.901m.
- 4.2 In subsequent reviews Members have been advised of:
- The higher level of balances brought forward from 2006/07 (- £0.312m),
 - Slippage of income from 2006/07 (- £0.350m),
 - The likelihood of a reduction in transport, disposal and landfill tax due to a reduction in the waste stream (- £1.198m),
 - A reduction in both the Landlord and operator costs at the Hornsey Street Waste Transfer Station (- £0.895m),
 - A successful appeal against the 2005 Rating Revaluation (- £0.163m),
 - An increase in the use of the Authority's recycling and composting services (+ £0.300m)
 - A reduction in the cost of recycling credits and other recycling initiatives (- £0.370m),
 - Reduction in non-household waste income due to a reduction in the waste stream (+ £0.761m).
 - The write-back to revenue of previous year's contributions to the Earmarked Reserve for recycling and termination of future contributions (- £0.386m).
 - A write-back to revenue of an excess creditor provision allowed for recycling credits in the 2006/07 accounts (- £0.300m),
 - Increased income from investment of cash balances (- £0.195m),
 - A reduction in the value of payments in respect of the BMW diversion reward scheme (- £0.430m),
 - An increase in the costs of the procurement process (+ £0.202m).
 - Other miscellaneous changes (- £0.128m).

4.3 A fourth review of the budget has identified a number of further changes, the net effect of which is estimated to increase the level of surplus revenue balances likely to be available at 31 March 2008 by £0.177m to £3.164m. This review will form the basis of the 2007/08 revised budget. Details of the most significant changes and issues identified by the fourth review are discussed below.

4.4 **Transport, Disposal and Landfill: (- £0.335m)**

4.4.1 In December Members were advised that based upon tonnage data available for the period April to October 2007 there had been a net reduction of 3.41% in the level of residual waste entering the Authority's waste stream over the same period in 2006/07. As the figures suggested a small upward movement in the residual waste stream the third budget review allowed for a 1% increase over the remainder of the year and a full year residual tonnage forecast of 754,460 tonnes, i.e. a reduction of 17,240 tonnes compared with the original budget assumptions.

4.4.2 Data now available for the period up to December 2007 indicates a net reduction of 4.08% in the residual waste stream; a small favourable change (- 0.67%) compared with the December forecast. Members are advised, however, that as the December tonnage forecast for Islington was higher than actually the case, the improvement since December for all boroughs is actually lower, i.e. in the region of - 0.2%. Given, also that three boroughs experienced an adverse change in their waste stream during November and December of up to 1.6% there remains a need to adopt a degree of caution in projecting the tonnage outturn for the year, particularly at this critical stage of the budget process. The fourth review therefore allows for a 1% growth in the waste stream over the remainder of the year. The net effect of these changes, however, is to reduce the residual tonnage forecasts for the year by a further 6,815 tonnes. On this basis the residual waste stream for the year is now estimated to reduce by 24,055 tonnes to 747,645 tonnes compared with the original budget assumptions (771,700 tonnes), and by 29,383 tonnes compared with the residual tonnage outturn for 2006/07 (777,028 tonnes).

4.4.3 Compared with an original budget assumption of 3%, the provisional increase in the Retail Price Index for the year to December 2007 is 4.0%, i.e. an increase of 1%, but 0.2% lower than that reported and allowed for in the budget review reported to the December meeting.

4.4.4 The overall effect of these changes is estimated to reduce the costs to the Authority by a further £0.335m in 2007/08.

4.4.5 Details of the percentage movement in 2007/08 residual tonnage levels for each borough compared with the 2006/07 tonnages may be summarised as follows: -

Table 1	September	December	Current	Variance
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	Forecast (2nd Review)	Forecast (3rd Review)	Forecast (4th Review)	between 3rd & 4th Reviews
	<i>(April to July)</i>	<i>(April to October)</i>	<i>(April to December)</i>	
Barnet	- 2.80%	- 2.17%	- 2.15%	+ 0.02%
Camden	- 1.13%	- 2.32%	- 2.98%	- 0.66%
Enfield	- 5.11%	- 4.96%	- 4.06%	+ 0.90%
Hackney	+ 0.08%	- 5.40%	- 6.53%	- 1.13%
Haringey	- 3.03%	- 2.40%	- 2.96%	- 0.56%
Islington	- 4.27%	- 0.41%*	- 5.72%	- 5.31%*
Waltham Forest	- 5.81%	- 6.37%	- 4.77%	+ 1.60%
Overall position	- 3.06%	- 3.41%*	- 4.08%	- 0.67%*

* The percentage change for Islington in December should have been - 4.16% and the overall position - 3.88%, with the result that the movement between December and the current forecast should be - 1.56% and - 0.2% for Islington and the overall position respectively.

4.5 **In-Vessel Composting Facility: (- £0.028m)**

4.5.1 The current review allows for a small reduction in prices compared with the third budget review. This is partly due to a lower than previously allowed increase in the Retail Price Index for the year to December, and a lower budgeted price for dealing with additional tonnages that cannot be handled through the Edmonton treatment facility.

4.6 **WEEE Directive (Fridges and Freezer and TV & Computer Screens): (- £0.030m)**

4.6.1 Producer responsibility came into effect for these appliances on 1 July 2007 and therefore the Authority has not paid for any treatment costs since this date. Before this date, however, the Authority incurred a higher than budgeted cost of £0.006m for the cost of treating TV and Computer screens. Allowing also for the saving on the handling charge after 1 July 2007 of £0.036m there is a net saving of £0.030m.

4.7 **Hornsey Street Waste Transfer Station: (- £0.239m)**

4.7.1 In December I advised that following a detailed review of LondonWaste Ltd's 2004 (part year claim) for the additional costs of operating the Hornsey Street facility that it would be safe to revise downwards the provisions that had been made in the Authority's accounts for the period 2004/2007 and the budget for 2007/08. Following a further review of the assumptions it is now reasonable to assume a further reduction of £0.239m and this has been allowed for in the fourth review.

4.8 **Recycling Credits (+ £0.018m)**

4.8.1 Based upon the level of activity in the first half of the year the fourth review allows for a small increase in the tonnages that may be eligible for a third party recycling or re-use credit payment.

4.9 Waste Contract – Procurement Costs: (+ £0.337m)

4.9.1 Further work has been undertaken to identify and quantify the costs of the procurement process over the period to March 2009. The outcome is to increase the forecast of the likely costs to be incurred in both 2007/08 and 2008/09. The fourth review allows for a higher cost of £0.337m and reflects in the main the greater scope of work that is expected to be undertaken by external consultants in the period to the end of March 2008.

4.10 Charges to Boroughs for Non-Household Waste (+ £0.089m)

4.10.1 In view of the changes both in the volume and make-up of the waste stream, non-household tonnages for the year are currently estimated to reduce by 4,951 tonnes for the year under the current method of calculation. Charges are currently estimated to reduce from £56.97 to £53.21 per tonne, i.e. a reduction of £3.76. Members will be aware from previous reports that Landfill Allowance (LATS) values have been depressed during the current year. This remains the case and therefore the LATS premium of £5 allowed for in the 2007/08 original estimated price has been reduced to £1.18 per tonne, i.e. a reduction of £3.82. The premium of £1.18 is slightly lower than the figure of £1.20 reported in December and reflects the effect of a volume change in the calculation of this figure. The reduction of £3.82 per tonne has been partly off-set by an increase of £0.06 per tonne to reflect the anticipated inflation increase due to be implemented in respect of the LondonWaste Ltd main contract in December. The overall effect of these changes is to reduce the estimated income from non-household charges by £0.850m for the year. Compared, however, with the third review this represents a further reduction in income of £0.089m. The potential financial effect on boroughs varies.

4.10.2 Assuming boroughs continue to deliver waste at current levels the potential impact on individual boroughs is estimated to be as follows:-

Table 2	2007/08 Original Estimate £	2007/08 Current Forecast £	Estimated Variance £
Barnet	1,113,137	983,214	- 129,923
Camden	1,940,740	1,724,057	- 216,683
Enfield	729,785	664,859	- 64,926

Hackney	1,330,420	1,350,257	+ 19,837
Haringey	1,202,466	1,064,892	- 137,574
Islington	1,468,288	1,293,056	- 175,232
Waltham Forest	1,099,977	954,641	- 145,336
Total	8,884,813	8,034,976	- 849,837

4.10.3 The figures currently indicate that all boroughs other than Hackney could be entitled to a refund.

4.10.4 Constituent councils may wish to bear in mind the potential impact of the above changes in the context of their own budget process. The final charges will be calculated as part of the 2007/08 final accounts process and reported to the Authority in June 2008. Any under or over payment by boroughs will be collected from or repaid to boroughs at that time.

4.11 Contingency

4.11.1 Although individual budget heads have been reviewed in the light of the latest available information there is a risk that additional costs could arise, particularly as a result of adverse changes in the waste stream, which could arise because of higher than expected growth, or by a failure of the boroughs to meet the recycling levels that have been notified to and used by the Authority in calculating the residual waste stream. In previous years the latter was less of a problem for the Authority as any under achievement in borough recycling activity meant that a saving in the recycling credit budget could be used instead to fund the ongoing cost of disposal. However, as the payment value for the recycling credit payment represents only about a third of the cost of disposal in 2007/08, the risk to the Authority increases and reinforces the need to maintain an adequate contingency provision at all times. Also, the costs of the procurement process by its very nature is likely to be difficult to restrict where there is a genuine need to incur costs. Allowing also for unforeseen costs for which there is no specific budgetary provision it would not be prudent to reduce the contingency in the 2007/08 revised budget.

4.12 Overview of the 2007/08 Revised Budget

4.12.1 Allowing for the above factors, the proposed 2007/08 revised budget for the Authority is £44.891m. This represents a net reduction of £0.266m when compared with the third budget review in December. Allowing also for a further reduction in non-household charges of £0.089m, the revenue surplus at 31 March 2008 is therefore estimated to increase to £3.164m.

4.12.2 Details of the variations, which have led to an increase in forecast revenue balances at 31 March 2008, may be summarised as follows:-

	£'000
Transport, disposal and landfill tax	(335)
In-Vessel Composting	(28)
WEEE Directive – Fridges & freezers and Tv and computer monitors	(30)
Hornsey Street Transfer Station	(239)

Recycling Credits	18
Waste contract - procurment costs	337
Non-household Charges	89
Miscellaneous (net)	11

Increase in Forecast Revenue Balances	177

4.12.3 Table 3 below provides a summary of the current financial position:-

Table 3	2007/08 Original Budget	2007/08 Third Review	2007/08 Fourth Review	Variance between 3rd & 4th Reviews
Expenditure	£'000	£'000	£'000	£'000
Main Waste Disposal Contract (Ex. CA Waste)	26,774	26,468	26,280	(188)
- Clinical Waste	269	272	270	(2)

- Fridges and Freezers	218	161	125	(36)
- In-Vessel Composting Facility (28)	1,697	1,867	1,839	
- Dry Recyclable Bulking Arrangement	1,256	1,386	1,386	0
Civic Amenity Waste	1,659	1,616	1,635	19
Landfill Tax				7,073
	6,697	6,533	(164)	
Hazardous Waste – TV and Computer Screens	82	62	68	6
Hendon Rail Transfer Station	447	357	357	0
Hornsey Street Transfer Station	2,982	2,017	1,778	(239)
Recycling Credits	3,477	3,171	3,189	18
Other Recycling Initiatives	129	77	77	0
BMW Diversion Incentive Scheme	642	212	212	0
Agency Services	514	513	516	3
Waste Strategy and Contracts Team	896	835	844	9
Waste Contract – Procurement Costs	700	902	1,239	337
Annual Compensation	33	33	33	0
Provision for Litigation Costs etc	50	50	50	0
Contribution to Earmarked Reserve/Recycling	66	(320)	(320)	0
LATS – Use of Allowances	5,875	5,229	5,229	0
LATS – Transfer to Reserve (Surplus Allowances)	808	719	719	0
Excess Creditor Provision (Previous Years)	<u>0</u>	<u>(300)</u>	<u>(300)</u>	<u>0</u>
	55,647	52,024	51,759	(265)
Less				
Income				
Rents	(83)	(86)	(86)	
Interest on Balances	(788)	(1,333)	(1,334)	(1)
LATS – Grant	(6,683)	(5,948)	(5,948)	
Estimated Dividend Stream	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
	(7,554)	(7,367)	(7,368)	(266)
Net Expenditure	48,093	44,657	44,391	(266)
Contingency	500	500	500	
Total Net Expenditure 2007/08	<u>48,593</u>	<u>45,157</u>	<u>44,891</u>	<u>(266)</u>
Financed By :-				
Balances b/fwd	(4,808)	(5,120)	(5,120)	
Charges to Boroughs (Non-household waste) *	(8,884)	(8,123)	(8,034)	89
2007/08 Levy *	<u>(34,901)</u>	<u>(34,901)</u>	<u>(34,901)</u>	<u> </u>
Total Resources Available	<u>(48,593)</u>	<u>(48,144)</u>	<u>(48,055)</u>	<u>89</u>
Estimated Revenue Balances				
as at 31 March 2008 (Surplus)	(0)	(2,987)	(3,164)	177

* Total cost boroughs £43,785m

5. 2008/09 Proposed Budget

5.1 Further to my assessment of the 2008/09 budget and resource requirements in December I have undertaken a further review of the assumptions that supported this forecast. The results of this review are reflected in table 4 below:-

Table 4	2007/08 Original	2008/09 Proposed	Year-on Year
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Expenditure	Budget £'000	Budget £'000	Change £'000
Main Waste Disposal Contract (Ex CA Waste)	26,774	26,912	138
- Clinical Waste	269	283	14
- Fridges and Freezers	218	0	(218)
- In-Vessel Composting Facility	1,697	3,481	1,784
- Dry Recyclable Bulking Arrangement	1,256	2,961	1,705
Civic Amenity Waste	1,659	1,659	0
Landfill Tax	7,073	8,309	1,236
Hazardous Waste – TV and Computer Screens	82	0	(82)
Hendon Rail Transfer Station	447	408	(39)
Hornsey Street Transfer Station	2,982	2,716	(266)
Recycling Credits	3,477	151	(3,326)
Other Recycling Initiatives	129	119	(10)
BMW Diversion Incentive Scheme	642	231	(411)
Agency Services	514	551	37
Waste Strategy and Contracts Team	896	912	16
Waste Contract – Procurement Costs	700	2,783	2,083
Annual Compensation	33	34	1
Provision for possible Litigation Costs	50	50	0
Revenue Fundind – Capital Investment	0	552	552
LATS – Use of Allowance	5,875	5,146	(729)
LATS – Transfer to Reserve (Surplus Allownces)	808	1,033	225
Contribution to Earmarked Reserve/Recycling	<u>66</u>	<u>0</u>	<u>(66)</u>
	55,647	58,291	2,644
Less			
Income			
Rents	(83)	(89)	(6)
Interest on Balances	(788)	(650)	138
LATS – Grant	(6,683)	(6,179)	504
Estimated Dividend Stream	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
	(7,554)	(6,918)	636
Net Expenditure	48,093	51,373	3,280
Contingency	500	500	
2008/09 Proposed Budget	<u>48,593</u>	<u>51,873</u>	<u>3,280</u>
	=====	=====	=====
To be financed by :-			
Estimated Balances b/fwd	(4,808)	(3,164)	1,644
Charges to Boroughs (Non-household waste) *	(8,884)	(10,880)	(1,996)
Proposed Levy 2008/09 *	(34,901)	(37,829)	(2,928)
* Total cost to Boroughs	(43,785)	(48,709)	(4,924)

5.1.1 The figures in table 4 show that the net budget requirement for 2008/09 of £51.873m has increased by £3.280m compared with the 2007/08 original budget. Allowing for the use of forecast revenue balances of £3.164m at 31 March 2008 the net cost to constituent councils in 2007/08 is estimated to be £48.709m; comprising charges for non-household waste of £10.880m and a levy of £37.829m in respect of household waste and the core costs of operating the Authority. This represents an increase of £4.924m (11.25%) over the cost to

boroughs in 2007/08 (£43.785m). However, with the implementation of the new methodology of calculating non-household charges in 2008/09, and also the full year implementation of the new levy apportionment arrangements it is perhaps more appropriate to express the projected increases in 2008/09 in the following way:

	2007/08	2008/09	Variance
Non-household charges	£ 8.884m	£10.880m	+ £1.996m (+ 22.47%)
Levy	£34.901m	£37.829m	+ £2.928m (+ 8.39%)
Total	£43.785m	£48.709m	+ £4.924m (+ 11.25%)

5.1.2 Members will however be aware that because of impact of the new non-household charging methodology and the likely full impact of the default levy apportionment arrangements in 2008/09, that the actual percentage change for each borough will be different, in some case significantly different, from the average year-on-year increases indicated above. Details of each borough's estimated charge for non-household waste can be found at paragraph 5.14.3, whilst each borough's share of the estimated levy, using the default levy apportionment arrangements can be found at paragraph 6.7.

5.1.3 Further information on the 2008/09 proposed budget is set out in section 5.2 below:

5.2. Inflation

5.2.1 A continuation of current RPI increases (4%) into 2007/08 plus a general allowance for inflation of 3.5% on the anniversary of the relevant price review date.

5.3 Transport and disposal

5.3.1 The level of waste entering the Authority's waste stream over the past two to three years has been affected by the significant stepped change in borough recycling activity. Despite this success, however, the underlying waste stream continues to grow, albeit at a slower pace. On the basis of information provided by boroughs the 2007/08 residual tonnage forecast allows for a reduction of 16,268 tonnes to reflect the boroughs' planned increase in recycling and composting over the coming year. This reduction, however, is partially offset by the need to allow for a prudent assessment of the likely growth in the total waste stream (before recycling is taken into account) of 1% (9,368 tonnes). Allowing also for the omission of the Hackney out-of-borough non-household tonnages of 4,763 tonnes in 2007/08 (as reported in December) the 2008/09 transport and disposal budget has been based upon a residual waste stream of 735,982 tonnes, i.e. a net reduction of 11,663 tonnes over the 2007/08 projected outturn.

5.3.2 Compared with the December forecast the tonnage reduction has resulted in a saving of c. £0.493m.

5.4 In-Vessel Composting Facilities and Dry Recyclable Bulking Arrangement

- 5.4.1 The draft budget reflects the intention of the NLWA constituent boroughs to transfer significant additional amounts of green and kitchen waste to the Authority for treatment in 2008/09, i.e. a total of 62,895 tonnes (an increase of 29,484 tonnes over the projected tonnage for 2007/08 and 5,000 higher than reported in December). This means that the in-vessel composting facility at Edmonton will be fully utilised and it has been necessary for the Authority to arrange for additional merchant capacity to treat this waste formerly treated at direct borough expense. Compared with the budget assumptions allowed for in December it has been possible to negotiate a lower than assumed gate fee for handling the additional waste and this is reflected in the proposed budget. Allowing, therefore, for the increased tonnage and lower gate fees the overall cost of the green and kitchen waste treatment service in 2008/09 is estimated to cost £3.481m, i.e. a reduction of £0.133m compared with the December forecast.
- 5.4.2 The draft budget allows for a similar growth in the amount of dry recyclable waste sent to the Authority for treatment. The constituent boroughs have indicated that they will need treatment capacity for 59,341 tonnes of dry recyclable material in 2008/09 (an increase of 30,445 tonnes over the projected tonnage requirement for 2007/08 and 2,400 tonnes lower than reported in December). The overall cost of the dry recyclable bulking arrangement in 2008/09 is estimated to cost £2.961m, i.e. a reduction of £0.126m compared with the December forecast.
- 5.4.3 Members should note that although increased use of the Authority's recycling arrangements will add £3.489m (7.2%) to the Authority's 2008/09 draft budget this a cost that would otherwise have been borne directly by boroughs, i.e. to the extent that boroughs have transferred their recycling tonnages to the NLWA for treatment there should be a budget saving to offset the increased cost of the NLWA levy. Table 5 below provides details of the changes that boroughs intend to make in the coming year:

Table 5	Composting Arrangement			Dry Recyclable Bulking		
	2007/08 Tonnes	2008/09 Tonnes	Variance Tonnes	2007/08 Tonnes	2008/09 Tonnes	Variance Tonnes
Barnet	15,000	18,750	3,750	0	0	0
Camden	0	4,500	4,500	3,500	7,800	4,300
Enfield	0	10,750	10,750	0	16,500	16,500
Hackney	626	7,400	6,774	0	2,700	2,700
Haringey	3,750	5,600	1,850	9,000	15,300	6,300
Islington	2,399	2,395	(4)	13,000	13,541	541
Waltham Forest	6,500	13,500	7,000	0	3,500	3,500
Total	28,275	62,895	34,620	25,500	59,341	33,841

5.5 Fridges and Freezers, TV and Computer Screens (WEEE Directive)

- 5.5.1 As indicated at paragraph 4.6 above produce responsibility for these waste streams came into effect on the 1 July 2007 and therefore no further costs are expected to be borne by the Authority. The budget forecast reported in December continued to include a handling charge for appliances received, however as this budget is no longer required there is a budget reduction of £0.040m

5.6 Landfill Tax

5.6.1 The standard rate of landfill tax is expected to rise from £24 to £32 per tonne on 1 April 2008. Despite a reduction in the amount of residual waste that the Authority expects to send for final disposal in 2008/09 the landfill tax escalator announced by the Chancellor of the Exchequer in his 2008 Budget report will mean that the Authority will still have to pay an estimated additional £1.236m in landfill charges, i.e. an increase in the 2008/09 draft budget of 2.8%.

5.7 **Hornsey Street Waste Transfer Station**

5.7.1 The 2008/09 proposed budget allows for the full year cost of operating this facility based upon information previously provided by both the London Borough of Islington (landlord costs) and LondonWaste Ltd (operational costs).

5.8 **Recycling Credits/Other Recycling Initiatives**

5.8.1 The transitional arrangements for apportioning the levy come to an end in 2008/09. As a result the majority of the Authority's expenditure, other than the cost of treating non-household waste, will be funded by a levy that will be largely apportioned on a household tonnage basis and with only a small proportion of costs continuing to be apportioned on a council tax basis. As a consequence, the local recycling credit scheme introduced by the Authority in 2006/07 to mirror the phasing to a tonnage based levy is also terminated. The Authority will however continue to pay third party recycling and reuse credits. A report elsewhere on this agenda recommends registration of a number of community groups/not for profit organisations and to two private sector profit-making organisations for which a total provision of £0.151m has been made, a reduction of £0.389m compared with the December forecast.

5.8.2 The 2008/09 draft budget for other recycling initiatives includes a provision of £0.119m to enable the Authority to provide financial support in the following areas:

Continuation of the nappy scheme	£0.081m
Continuation of a contribution to the NLRF (North London Recycling Forum)	£0.013m
Provision for other initiatives	£0.025m
Total	£0.119m

These schemes will require the approval of the Authority. Where reports appear elsewhere on this agenda Members should note that the draft budget allows sufficient provision to fund any of the options that have been presented for consideration. Should, however, the Authority decide to opt for a low cost option it is recommended, due to the likely low value of any budget saving, that this is added to revenue balances.

5.9 **BMW Diversion Incentive Scheme**

5.9.1 The proposed budget continues to allow for the operation of a scheme but in view of the low LATS values referred to earlier in this report the payment for 2008/09 may be no higher

£2.50. It could be less; but it could also be more. Boroughs will therefore need to take a cautious approach when finalising their home authority income budgets for both 2007/08 and 2008/09.

5.10 Waste Strategy and Contracts Team

5.10.1 Apart from the transfer of funding of one procurement post to the in-house procurement team the 2008/09 budget forecast allows for a full complement of staff and a programme of works.

5.11 Implementation of the North London Joint Waste Strategy

5.11.1 In setting the budget for 2007/08 a budget of £0.700m was approved to provide for the initial support by consultants and the establishment of an in-house procurement team. Members will recall that the third budget review increased this to £0.902m, and as advised earlier in this report is now expected to rise to £1.239m by the year end. Most of this increase arises from the greater scope of work that will be undertaken by the Authority's external consultants during the last three months of 2007/08.

5.11.2 The scale of the challenge and its cost means that it is difficult to be wholly accurate on the both the level of the budget and timing of the cash flow requirements. Much will depend upon the resolution of many complex and inter-related issues. These will be considered in more detail by the Procurement Committee scheduled to meet on the rising of today's Authority meeting. From a governance point of view it is essential that sufficient resources are available to enable the procurement process to travel at the pace necessary to ultimately secure the best outcome for the Authority. This does mean, however, that it is necessary to ensure that the 2008/09 budget is sufficiently robust and flexible to satisfy this requirement. Accordingly, based upon the advice of the Procurement Director, and his experience at Greater Manchester Waste Disposal Authority (fees in the order of £11m have been incurred over a four-year period), and that of our consultants who have been appointed under a framework contract arrangement, the proposed procurement budget for 2008/09 is £2.783m, comprising:

In-house procurement team	£0.712m
Use of consultants and other external support	£1.571m
Contingency	£0.500m
Total	£2.783m

5.11.3 The Authority has not had a capital programme since Vesting and the transfer of functions to LondonWaste Ltd in 1994. Whilst the Authority is currently considering the possibility of securing PFI funding to help support the provision of new waste disposal facilities, there will also be a need to give careful consideration to the merit of using Prudential Borrowing. This is particularly likely to prove attractive in the acquisition of sites as this should give

the Authority maximum flexibility in securing cheaper services, not only by securing better competition for the provision of new facilities, but also by avoiding the higher financing costs that tend to be associated with a contractor led solution. Much will depend upon the business case for a particular project.

5.11.4 In the short to medium term the Authority will need new treatment facilities to deal with both the growing quantities of green (including kitchen) and dry recyclable materials that are being sent to the Authority for treatment. The cost of securing these services is expected to rise significantly in 2008/09 with a cost of £6.442m. Given this need and growing demand over the coming years the officer view is that there should be significant merit in considering one or two small site purchases that would enable treatment facilities to be provided within the north London region rather than incurring the cost of transporting materials to locations outside the Authority's area. Accordingly it is recommended that Members consider providing sufficient revenue funding to support a £12m capital investment in sites at an estimated cost of £0.552m in the coming year. Although this will involve upfront funding in a year when the levy increase is already at a relatively high level, such an investment should provide the means to securing cheaper services in the long run. Further exemplification of this is set out elsewhere on this agenda (Joint Waste Strategy Update report) and at paragraph 3.3 above.

5.12 Dividend Income (LondonWaste Ltd)

5.12.1 No income is expected from this source.

5.13 Interest on Balances

5.13.1 The Budget forecast allows for an income that is expected from the temporary investment of monies held by the Authority.

5.14 Non-household Charges

5.14.1 At its September 2007 meeting the Authority agreed, following consultation with its constituent boroughs, a new basis for assessing the amount of non-household waste delivered to the Authority for disposal. The new scheme comes into effect for 2008/09.

5.14.2 At its base the scheme provides for the determination of non-household waste collected through the borough's trade waste collection system. Boroughs have submitted formal declarations signed by a chief officer setting out the types of receptacle used to collect non-household refuse, the frequency, and by using an agreed volume:weight ratio (that is in some cases borough specific) have arrived at a total tonnage for each borough. The Waste Strategy and Contracts Team has validated these declarations. Each borough's non-household construction waste (not all boroughs have this category of waste) delivered to the Authority is charged for in addition to the above. The total value of validated tonnages (as adjusted by the quarterly January review) is 164,715 tonnes and the amount of construction waste is 9,296 tonnes, i.e. a total tonnage of 174,011 tonnes:

Table 6

	Validated Declared (As updated) Tonnes	Construction Tonnes	Total Tonnes
Barnet	18,892	2,776	21,668
Camden	48,301	0	48,301
Enfield	13,285	15	13,300
Hackney	29,356	9	29,365
Haringey	15,152	1,720	16,872
Islington	29,074	1,547	30,621
Waltham Forest	10,655	3,229	13,884
Total	164,715	9,296	174,011

5.14.3 Based upon estimated non-household tonnages of 174,011 tonnes and a forecast cost per tonne of £62.53 (comprising a base cost of £61.13 and a LATS premium of £1.40), the total cost to boroughs in 2008/09 is currently estimated to be £10.880m.

5.14.4 The cost for individual boroughs is estimated to be:-

Table 7	2008/09 Estimated Tonnes	2008/09 Estimated Cost £
Barnet	21,668	1,354,900
Camden	48,301	3,020,262
Enfield	13,300	831,649
Hackney	29,365	1,836,193
Haringey	16,872	1,055,006
Islington	30,621	1,914,731
Waltham Forest	13,884	868,167
Total	174,011	10,880,908

5.15. Landfill Allowance Trading Scheme (LATS)

5.15.1 The Authority expects to be in a favourable trading position in 2008/09 and is currently estimated to have a surplus of c. 57,458 allowances. The forecast allows for a notional value of the credits based upon the 2006/07 book-value (£17.98 per allowance), which is the last formal valuation. The actual value is more likely to be in the order of £5 based upon current trading activity, but any change here is wholly offset by an equivalent opposite change to the LATS Grant and therefore has a neutral effect on the Authority's budget and resources requirements.

5.16 Contingency

- 5.16.1 Previous sections of this report have advised Members of the robustness of individual budget heads to meet the Authority's statutory waste disposal obligations. Whilst I believe that these budgets are soundly based, the Authority needs to consider how it would fund any additional costs. In particular, if there are issues concerning the level of the waste stream in the year ahead or the proportion of it delivered to the Authority by constituent councils.
- 5.16.2 In coming to a view on this, Members should bear in mind that it is currently envisaged that forecast balances at 31 March 2008 will be fully utilised during the course of 2008/09, and that by law, the Authority is not able to make a substitute levy. Additionally, following divestment of the Authority's operations in accordance with the Environmental Protection Act 1990, the Authority now has very little scope to make compensating savings for costs which may arise in meeting its waste disposal obligations. Similarly, although the Authority has responsibility for the disposal of the waste arising from its constituent councils, it has no direct control over the volumes of waste entering the waste stream. Members will recall from my comments at paragraph 4.1 above that this could arise by either a higher than expected growth in the waste stream or a failure by the NLWA constituent boroughs to meet their previously advised recycling targets. The latter is more relevant for 2008/09 as the recycling credit scheme, which has provided a reducing degree of protection against this risk will not be available in 2008/09. This places greater emphasis on the need to have robust budgets and adequate contingencies to deal with such eventualities.
- 5.17.3 Members will also be aware that the Local Government Act 2003 places a formal duty on the Financial Adviser to report to Members on the adequacy of its reserves. In view of the foregoing, and allowing also for the retention of a contingency of £0.5m in 2007/08, a specific contingency of £0.5m for the procurement process, my advice is that a further contingency of £0.5m is allowed for in the 2008/09 proposed budget. This is the minimum that I consider to be prudent.

6. **Apportionment of the Levy**

- 6.1 The decision on the apportionment of the levy is a matter for the Authority's constituent councils. Unless all seven councils can agree unanimously on the way the levy is to be apportioned, the levy will be calculated in accordance with the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006. These regulations provide for the household element of the levy to be apportioned on a tonnage basis with transitional arrangements for 2006/07 and 2007/08.
- 6.2 In 2006/07 the transitional default arrangements provided for the 'household' element of the levy to be apportioned 33.3% on a tonnage basis and 66.7% on a council tax basis. For 2007/08 the transitional default arrangements provide for the 'household' element of the levy to be apportioned 66.6% on a tonnage basis and 33.4% on a council tax basis. 2008/09 will be the first year of operation without transitional arrangements. There is a smaller 'other' costs element which will continue to be apportioned entirely on a council tax basis.
- 6.3 In order to be clear on the levy apportionment arrangements that will apply for 2008/09 constituent councils were asked to advise the Authority if they were minded to seek agreement on a levy apportionment basis other than by the current statutory default

arrangements. In view of the notifications received from a number of constituent councils confirming their support for the new default provisions set out in the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, it is now clear that the 2008/09 levy will be apportioned in accordance with the default arrangements.

- 6.5 The levy apportionment arrangements require constituent councils to formally notify the Authority of both their council tax base for 2008/09 and also their household waste tonnages for 2006/07 by 31 January 2008. The latter is a new requirement and as this information originates from the Authority, constituent councils have been asked to confirm the household tonnage data held by the Authority. At the time of writing, all but three constituent councils have advised the Authority of their council tax base, however, only three boroughs have confirmed their 2006/07 household tonnage figures. The proposed apportionment of the 2008/09 levy is therefore conditional upon formal notification/confirmation of the figures contained in Table 8.

Table 8 below provides details of both constituent council 2008/09 council tax base figures and their 2006/07 household tonnages:

Table 8	2008/09 Council Tax Base	2006/07 Household Tonnages
Barnet	135,944.00 Provisional	122,480
Camden	93,580.00	80,171
Enfield	108,354.00	86,174
Hackney	70,173.00 Provisional	91,435
Haringey	85,056.00	92,804
Islington	83,426.80 Provisional	79,892
Waltham Forest	75,214.00	78,630
Total	651,747.80	631,586

- 6.6 Allowing for the level of revenue balances projected to be available at 31 March 2008 and the Authority's 2008/09 draft budget requirements, Table 9 below indicates the relative share of the levy that will be borne by each constituent council based upon the default levy apportionment arrangements (full details of the apportionment can be found at Appendix A). It is important to bear in mind that the figures are provisional pending notification/confirmation of the levy apportionment data set out in Table 8. Whilst it is possible that the council tax base data could change it is not envisaged that the 2006/07 household tonnage figures will change.

- 6.7 Details of the proposed levy for 2008/09 are summarised in table 9 below:

Table 9	2007/08 Actual Levy	2008/09 Provisional Levy	Variance
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	£'000	£'000	£'000
Barnet	6,901	7,423	+ 522 (7.56%)
Camden	4,775	4,900	+ 125 (2.62%)
Enfield	5,439	5,337	- 102 (1.88%)
Hackney	4,410	5,257	+ 847 (19.21%)
Haringey	4,785	5,462	+ 677 (14.14%)
Islington	4,350	4,794	+ 444 (10.21%)
Waltham Forest	4,241	4,656	+ 415 (9.79%)
Total	34,901	37,829	+ 2,928 (8.39%)

7. **Medium Term Budget Forecast for 2009/10 and for 2010/11 and 2011/12**

- 7.1 Assuming full utilisation of revenue balances by 31 March 2008 and further year-on-year increases in the waste stream of 1% per annum (as adjusted for further stepped increases in recycling), the termination of the Authority's local recycling credit scheme in 2008/09, implementation of the WEEE Directive during 2007/08 and boroughs making greater use of the Authority's in-vessel composting and dry recyclable bulking arrangement, the percentage increase in the cost to constituent councils is estimated to be 16.4% in 2009/10, an increase of 7.5% in 2010/11 and an increase of 6% in 2011/12. The increase for 2009/10 reflects the fact that balances of £3.164m at 31st March 2008 will be used to part fund the 2008/09 budget. Future years forecasts do not, at this stage, assume the availability of any in year balances to offset the levy increase. Officers will, however, continue to exercise tight control over expenditure with any underspend then being available in the following year to mitigate levy increases. Further information on the medium term budgets can be found at Appendix B.
- 7.2 This forecast is based upon known and proposed changes to the landfill tax rates during this period (the standard rate of tax is expected to rise annually by £8 per tonne). For the purpose of this forecast it is assumed that an £8 increase will also apply in 2011/12.
- 7.3 Although the current budgets allow for the cost of developing a joint waste strategy with its constituent councils and the revenue support for funding a capital programme (site acquisition) of £12m, no specific allowance has been made for any further costs of delivering the strategy. This is because for most of the medium term budget period the Authority will be focussing on the longer-term procurement process for waste services after the current contract with LondonWaste Ltd expires in December 2014. At this time it is considered unlikely that there will be any significant procurement implementation costs during this period, although there is a possibility that some costs could begin to fall into 2011/12. Work on the development of an outline business for possible financial support under the Private Finance Initiative is currently underway and will be reported back to the Authority in the summer period. This should help firm-up on the likely scale and timing of the increases. The only other procurement related activity that could add to the medium term revenue costs referred to above is the need to acquire sites for the Authority's new residual waste treatment facilities. This could become a reality if it is felt to do so would

strongly improve the chances of the Authority securing more competitive tenders for the design, build, finance and operation of these new treatment facilities post December 2014.

- 7.4 It is currently envisaged that the combined effect of recycling, composting and use of the Edmonton energy-from-waste facility should obviate the need for the Authority to buy allowances before 2010/11. The Authority should find itself with a favourable trading position during this period and therefore any sale proceeds arising from surplus allowances will be available to assist with the costs of meeting the the joint waste strategy or as directed by the Authority.

8. Capital Programme – Prudential Indicators

- 8.1 The Prudential Code (the Code) of Borrowing came into effect on 1 April 2004.
- 8.2 The Authority is required to agree indicators for the period to 2010/11. Although the Authority does not at present have a capital programme it is about to embark on a procurement process that will almost certainly require the use of prudential borrowing to supplement any funding that might be obtained through the Private Finance Initiative. In the first instance this is likely to relate to site acquisition, particularly for recycling facilities that need to be procured before the major procurement of services after 2014. For the time being the Authority is therefore requested to approve the following indicators:

Capital Expenditure					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
NLWA	Nil	Nil	£12m	Nil	Nil

- 8.3 The Authority currently has no outstanding debt. Based upon the proposed capital budget of £12m the following ratio of financing costs to net revenue stream are recommended for approval:-

Ratio of Financing Costs to Net Revenue Stream					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
NLWA	Nil	Nil	0.0146%	0.0177%	0.0165%

- 8.4 The Capital Financing Requirement measures the underlying need to borrow. The following capital financing requirements are recommended for approval:-

Capital Financing Requirement					
	31.03.07 Actual	31.03.08 Estimate	31.03.09 Estimate	31.03.10 Estimate	31.03.11 Estimate
NLWA	Nil	Nil	£12m	£12m	£12m

8.5 In order to ensure that over the medium term borrowing will only be for a capital purpose, the Authority will need to ensure that net external borrowing does not, except in the short term, exceed the total of the Capital Financing requirement in the previous year plus estimates of any additional Capital Financing Requirement for the budget year and the next two years. The next two Prudential Indicators (PI's) govern the Authority's ability to borrow funds in the money markets, e.g. the Public Works Loans Board, and must be set at a level which allows sufficient headroom for the capital programme to be achieved. Members will be aware from my comment at 7.3 above that pending the outcome of work on the Outline Business Case, which will be presented to Members in the summer, that there may be a case to acquire at least one site for the Authority's new residual treatment facilities. Although this is by no means certain and may not arise in 2008/09, it is recommended that the upper limits for these PI's is sufficiently flexible to accommodate borrowing for both the short-term site needs and the possible acquisition of a site to provide one of the Authority's long-term residual treatment facilities. A figure of £36m is recommended. Although the Authority's draft budget only provides revenue support to cover an investment cost of £12m for a full year, it would be possible for the same revenue provision to fund a higher capital investment for a shorter period, e.g. £24m for six months and £36m for 4 months. No acquisition could proceed with the Authority's approval. Should the circumstances arise, the aim is to ensure that the Authority has the flexibility to act within the law. The following authorised limits for external debt are recommended for approval: -

Authorised Limit for External Debt					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
Borrowing	Nil	Nil	£36m	£36m	£36m
Other long term liabilities	Nil	Nil	Nil	Nil	Nil

8.6 The following operational boundaries for external debt are recommended for approval-

Operating Boundary for External Debt					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
Borrowing	Nil	Nil	£36m	£36m	£36m
Other long term liabilities	Nil	Nil	Nil	Nil	Nil

8.7 The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have been previously taken by Authority are:

Impact on the NLWA Levy					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	Nil	Nil	0.0146%	0.0177%	0.0165%

- 8.8 The following prudential indicators are relevant for the purpose of setting a treasury management strategy.

Net Principal re. Fixed Rate Borrowings					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	Nil	Nil	£36m	£36m	£36m

Net Principal re. Variable Rate Borrowings					
	2006/07 Actual	2007/08 Estimate	2008/09 Estimate	2009/10 Estimate	2010/11 Estimate
	Nil	Nil	£36m	£36m	£36m

- 8.9 In order to ensure flexibility in the loans that might be taken it is recommended that the following maturity structure of fixed rate borrowing is set for 2008/09. It mirrors that adopted by the London Borough of Camden except in the case of '10 years above' where in view of the NLWA's single purpose nature of the capital programme it is felt any borrowing may warrant a 100% borrowing within this category.

Maturity structure of fixed rate borrowing during 2008/09	Upper Limit %	Lower Limit %
Under 12 months	50	0
12 months and within 24 months	50	0
24 months and within 5 years	50	0
5 years and within 10 years	50	0
10 years and above	100	30

- 8.10. The above indicators may need to be reviewed in the light of the Outline Business Case which is being prepared to support the application for Government funding under the Private Finance Initiative.

9. **Advice on Reserves and Balances and Robustness of the Budget Process**

- 9.1 Advice is usually provided at this stage on the level of reserves and balances available to the Authority, and on the robustness of the estimates that have been used to arrive at the proposed budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Financial Adviser) to report to the Authority on:

The adequacy of the proposed reserves
The robustness of the budget

- 9.2 The level of balances and the robustness of estimates are closely linked. Balances and reserves should be set at a level that takes account of the financial risks facing the

Authority; the greater the level of uncertainty, the more likely balances will be needed. A budget is prepared on the best information available at the time, and inevitably includes some uncertainty.

- 9.3 It is important that, in setting the budget, Members take account of the uncertainties involved, both in establishing a suitable level of balances and contingencies, and also in setting an overall strategy for the budget. This involves, for example, ensuring that only resources likely to be available in the long term are used to accomplish long-term objectives.
- 9.4 In my view, and taking account of the issues raised above, the Authority's budget estimates are sufficiently robust this year to deal with the current risks and uncertainties facing the Authority. However, the process can be improved, and would need to be strengthened in a period of greater instability.

10. **Conclusion**

- 11.1 Although there are a number of areas where there is a degree of uncertainty I am satisfied that the detailed budgets are soundly based. Allowing also for the inclusion of prudent levels of contingency in both the 2007/08 revised budget, the 2008/09 proposed budget, and an additional specific contingency for the procurement process, the overall budget should be sufficiently robust to meet the Authority's expenditure requirements over this period.
- 11.2 The medium term budget forecast indicates that the costs of the Authority will benefit from the removal of the duty to pay recycling credits but will bear the burden of the costs of the procurement process. In addition, from 2008/09 onwards it is expected that the NLWA boroughs will transfer more of their recyclable materials to the Authority for treatment. Whilst this will add to the Authority's costs and increase the levy, for those boroughs that make use of the Authority's recycling services there will be a reduction in the amount that they pay direct to their third party recycling contractors. As a consequence it is important that boroughs look at the impact of these changes on their waste management costs in the round. This is particularly true of the levy apportionment arrangements where for instance changes in borough household waste tonnage in 2008/09 - this includes recyclable materials sent to Authority for treatment - will not be taken into account in the default levy apportionment calculation until 2010/11.
- 11.3 The Authority is forecast to have surplus balances of £3.164m at 31 March 2008. The reasons for this position are set out in this report. It is the custom to fully utilise forecast balances at this date to assist with the funding of the subsequent years budget. The impact, however, of fully utilising available revenue balances to assist with the funding of the 2008/09 budget will mean that constituent councils face the prospect of a more significant levy increase in 2009/10.
- 11.4 The decision on the level of the levy is one that only the Authority can make and in reaching its decision, Members should have regard to the advice contained in this report. Members are reminded that forecast revenue balances at 31 March 2008 are expected to be fully

utilised in the coming year and therefore they must satisfy themselves that the proposed budget and levy is sufficient to meet the Authority's statutory obligations in the year ahead.

12. **Comments of the Legal Adviser**

12.1 The Legal Adviser has been consulted on this report and has no comments to add.

Local Government Act 1972 - Section 100 as amended

Documents used in the preparation of this report:-

Reports to the Authority dated 7 February 2007, 27 June 2007, 19 September 2007 and 12 December 2007

Budget working papers

Notification letters from constituent councils in respect of their 2008/09 Council Tax base and 2006/07 actual household tonnages delivered to the NLWA for disposal.

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