

NORTH LONDON WASTE AUTHORITY

REPORT TITLE

2005/2006 REVENUE AND CAPITAL BUDGETS FINAL OUTTURN AND 2006/07 FIRST BUDGET REVIEW

REPORT OF

FINANCIAL ADVISER

FOR SUBMISSION TO

DATE

AUTHORITY MEETING

28th JUNE 2006

1. SUMMARY OF REPORT

This report provides details of actual expenditure and income for 2005/06 and briefly comments on the current financial position and outlook for future years. Based upon current information the Authority is forecast to have a revenue surplus of £1.582m at 31 March 2007. A review of the outlook for the period 2007/08 to 2009/10 reaffirms the likelihood that waste management costs will continue to rise significantly over this period. A further review of the financial position will be reported to the Authority meeting in September.

2. RECOMMENDATIONS

The Authority is requested to:-

- (i) Note the 2005/06 final outturn (subject to audit).
- (ii) Note the over and under payments by boroughs in respect of non-household waste in 2005/06 and the arrangements for collection from and repayment to boroughs as appropriate.
- (iii) Note the Landfill Allowance Trading Scheme (LATS) accounting requirements for 2005/06 and agree the establishment of a LATS reserve.
- (iv) Note the 2005/06 household waste tonnages (Appendix A).
- (v) Approve the 2005/06 draft Statement of Accounts (Appendix B).
- (vi) Note the first review of the 2006/07 budget.
- (vii) Note that a second review of the 2006/07 budget will be submitted to the Authority in September.
- (viii) Note the updated outlook for 2007/08, 2008/09 and 2009/10 and likely budget pressures.

Signed by the Finance Adviser:

Date:

3. **Introduction**

3.1 At its meeting on the 8 February 2006 the Authority was provided with an up-to-date assessment of its financial position. This included the fourth review of the 2005/06 budget. The latter formed the basis of the 2005/06 approved revised budget and provided guidance on the level of surplus resources available to assist with funding of the 2006/07 budget.

3.2 The accounts for 2005/06 are now closed and therefore the main purpose of this report is to provide details of the 2005/06 final outturn (subject to audit) and to seek approval of the 2005/06 draft Statement of Accounts. The opportunity is also taken to provide details of the 2006/07 first budget review and to briefly comment on the outlook for future years.

4. **2005/06 Final Outturn**

4.1 At its meeting on 9 February 2005 the Authority agreed an original budget of £54.054m to be financed by estimated revenue balances of £4.767m, charges to boroughs for non-household waste of £7.450m and a levy of £41.837m.

4.2 In subsequent reviews Members have been advised of:

- The higher level of balances brought forward from 2004/05 (- £1.587m),
- Slippage of income from 2004/05 (- £0.350m),
- Increased income from investment of balances (- £0.675m),
- Reduction in the budgeted level of recycling credit payments (- £2.163m),
- The impact of potential changes in the waste stream and the costs of final disposal due to the reduction in the budgeted levels of recycling and composting (+ £1.567m),
- A reduction in the growth of the waste stream (- £2.459m),
- A reduction in the estimated LWL Compensation Review Claim (- £0.856m),
- Additional landlord and operational costs of operating the Hornsey Street Waste Transfer Station (+ £0.926m),
- Deletion of the need to pay for the LWL hazardous waste claim (APC residues) out of revenue resources (- £2.579m)
- Negotiated saving for the treatment of fridges and freezers (- £0.552m),
- The write-back to revenue of an excess creditor provision allowed for recycling credits in the 2004/05 accounts (- £0.391m),
- Reduction in non-household charges (+£0.459m),
- Reduction in contingency (- £0.200m),
- Other miscellaneous changes (+ £0.251m).

4.3 As a consequence the Authority was advised that it would be reasonable to assume that forecast revenue balances of £8.609m at 31 March 2006 could be taken into account when considering its budget and levy requirements for 2006/07.

- 4.4 The actual revenue surplus for the year ended 31 March 2006 is £3.633m, which when added to the balances brought-forward from 2004/05 of £6.354m results in cumulative balances of £9.987m at 31 March 2006, i.e. an increase of £1.378m over the February 2006 forecast.
- 4.5 In addition, the Authority holds an earmarked reserve of £1.259m for the funding of future recycling initiatives.
- 4.6 The Authority also holds a Landfill Allowance Trading Scheme (LATS) reserve which at the 31 March 2006 is valued at £0.120m representing a provisional surplus (subject to verification by DEFRA) of 5,962 allowances.
- 4.7 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

	2005/06 Original Budget	2005/06 Revised Budget	2005/06 Final Outturn	Variance between Revised & Outturn £'000
Expenditure	£'000	£'000	£'000	£'000
Main Waste Disposal Contract	27,216	26,107	26,000	(107)
- Clinical Waste	217	226	228	2
- Fridges and Freezers	1,004	495	478	(17)
- In-Vessel Composting Facility	0	429	626	197
Civic Amenity Waste	1,833	1,539	1,448	(91)
Landfill Tax	6,591	6,237	6,012	(225)
Landfill Allowance trading Scheme (shredder)	0	156	236	80
Legislative Review – Hazardous Waste	1,668	0	0	
Legislative Review – Edmonton Rating Review	47	0	0	
Hazardous Waste – TV and Computer Screens	0	65	88	23
Hendon Rail Transfer Station	406	407	407	
Hornsey Street Transfer Station	1,969	2,895	3,032	137
Recycling Credits	11,986	9,394	9,063	(331)
Other Recycling Initiatives	100	50	20	(30)
Agency Services	478	477	338	(139)
Waste Strategy and Contracts Group	574	628	623	(5)
Annual Compensation	30	31	31	
Provision for Litigation Costs	50	50	0	(50)
Contribution to Earmarked Reserve	25	54	55	1
LATS – Use of Allowances	0	0	6,201	6,201
LATS – Transfer to Reserve	0	0	120	120
Excess Creditors (Previous Years)	0	(1,302)	(2,185)	(883)
	54,194	47,938	52,821	4,883
Less Income				
Rents	(80)	(80)	(79)	1
Interest on Balances	(560)	(1,585)	(1,258)	327
LATS Grant	(0)	(0)	(6,321)	(6,321)
Dividends (LWL)	(0)	(0)	(0)	
	(640)	(1,665)	(7,658)	(5,993)
Net Expenditure	53,554	46,273	45,163	(1,110)
Contingency	500	300	0	(300)
Total Net Expenditure 2005/06	54,054	46,573	45,163	(1,410)
	=====	=====	=====	=====
Financed By :-				
Revenue Balances b/fwd	(4,767)	(6,354)	(6,354)	
Charges to Boroughs (Non-household waste)	(7,450)	(6,991)	(6,959)	32
2005/06 Levy	(41,837)	(41,837)	(41,837)	
Balances c/fwd as at 31 March 2006:				
General Balances	(0)	(8,609)*	(9,987)	(1,378)
Earmarked Reserve (Recycling)	(1,204)	(1,258)	(1,259)	(1)
LATS Reserve	(0)	(0)	(120)	(120)

* This figure has been used to assist with the funding of the 2006/07 budget.

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

4.9 **Transport and Disposal and Landfill Tax : (- £0.438m)**

4.9.1 In December Members were advised that based upon data available for the period April to October there had been a net reduction of 4.02% in the level of residual waste entering the Authority's waste stream over the same period in 2004/05. Allowing, however, for estimated recycling tonnages provided by constituent boroughs for the first seven months of the year the underlying growth in the total waste stream (before allowing for borough recycling activity) was estimated to be 1.1%.

4.9.2 Subsequently, in February, Members were advised that based upon data available for the period up to December 2005, the figures indicated a net reduction of 3.61% in the residual waste stream, i.e. a small adverse change compared with the previous forecast. Allowing, however, for more up-to-date actual recycling data for the period to November from all boroughs, as well as revised full year borough forecasts, the underlying growth in the waste stream appeared to have slowed to 0.6%, i.e. a reduction of 0.5% compared with the previous forecast. However, given the degree of uncertainty about the reasons for changes in the waste stream and the expectation there would be an increase in activity at new civic amenity sites in the closing months of the year, the fourth review continued to allow for 1.1% growth in the waste stream. On this basis the 2005/06 residual waste stream was estimated to reduce by 24,438 tonnes to 801,566 tonnes.

4.9.3 The actual residual waste stream for the year was 796,847 tonnes, i.e. a reduction of 29,157 tonnes (3.53%), compared with 2004/05 actual tonnages. Allowing for the boroughs latest estimate of their outturn recycling and composting figures for 2005/06 the underlying waste stream now appears to have grown by only 0.15% in 2005/06.

4.9.4 Details of the actual percentage movement in 2005/06 tonnage levels for each borough compared with 2004/05 tonnages may be summarised as follows:-

	February Forecast	2005/06 Actual	Variance
Barnet	- 3.34%	- 2.20%	+ 1.14%
Camden	- 3.34%	- 3.47%	- 0.13%
Enfield	- 5.22%	- 5.66%	- 0.44%
Hackney	- 0.72%	- 0.21%	+ 0.51%
Haringey	- 2.77%	- 3.21%	- 0.44%
Islington	- 3.38%	- 3.51%	- 0.13%
Waltham Forest	- 6.50%	- 6.65%	- 0.15%

Overall position - 3.61% - 3.53%

4.9.5 All boroughs, apart from Barnet and Hackney experienced downward movement in their residual waste streams during the closing months of the year.

4.10 **2005/06 Residual Waste Tonnages – Levy Apportionment**

4.10.1 Members will recall that the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006 changed the default arrangements for apportioning the levy for 2006/07 and future years where there is not unanimous agreement by constituent councils on how the levy should be apportioned. The new default arrangements provide for the levy to move mainly to a tonnage basis of apportionment over three years. In the case of 2006/07 the regulations provided for 2004/05 household tonnage data to be used as the basis for apportioning the household waste element of the levy. As a consequence, in the absence of unanimous agreement in 2007/08, the 2005/06 household waste tonnage data will be used as the basis for apportioning the household waste element of the levy. Details of the 2005/06 tonnages can be found at Appendix A.

4.11 **In-Vessel Composting (IVC) Facility : (+ £0.197m)**

4.11.1 The In-Vessel Composting facility became operational on 21st September 2005. Built to handle a throughput of 30,000 tonnes per year the take-up of the new facility was slow to gather momentum (falling short of the levels necessary to maintain a 30,000 tonne facility until 31st March 2006, but exceeding the pro-rata monthly level in May 2006). The Authority has a take-or-pay arrangement with LondonWaste Ltd for the use of the facility and therefore during the first seven months of operation it was necessary to make good the shortfall by allowing the West London Waste Authority to use the facility and arranging for LondonWaste Ltd to re-direct re-use and recycling centre green waste deposits that would otherwise have been sent to an open-windrow composting facility.

4.11.2 If the boroughs had delivered at previously advised levels it was envisaged that the cost of the IVC facility would be lower than the recycling credit rate paid by the Authority with the result that a small residual recycling credit payment of c. £4.45 per tonne could be paid to the boroughs. Unfortunately, because of the tonnage shortfall the cost of keeping the facility operational has resulted in an additional cost to the Authority of £0.197m in 2005/06 and therefore no residual recycling credit payment is payable.

4.12 **Landfill Allowance Trading Scheme (LATS) : (+ £0.080m)**

4.12.1 The LATS scheme came into effect on 1st April 2005; a powerful new driver for reducing the level of biodegradable municipal waste that can be sent to landfill. For every tonne of biodegradable waste sent to landfill that is not covered by an allowance the Government intends to impose a penalty payment of £150 per tonne. Members will recall that although the Authority should enjoy a favourable trading position in the period until 2009/10 the position for 2005/06 was always expected to be finely balanced. This was due to the loss of energy-from-waste capacity during 2005 as a result of the boiler refurbishment works at Edmonton to comply with the Waste Incineration Directive. In December Members were advised that in view of the

increased length of time taken to modify some of the boilers less of the Authority's waste was being diverted from landfill, and that as a consequence there was a risk that the Authority could exceed its 2005/06 allocation of allowances. In December the Authority was estimated to exceed its LATS allowance of 312,933 tonnes by about 12,600 tonnes. Although the Authority could use some of its 2006/07 allowances the Authority agreed that officers should examine the scope for increasing the volume of NLWA waste incinerated by the end of the financial year. Officers had been in discussion with LondonWaste Ltd to determine the scope for increasing the level of NLWA incinerated waste. As a consequence approval was given to conclude negotiations with LondonWaste Ltd subject to there being a clear financial advantage for the Authority. LondonWaste Ltd indicated that it could increase NLWA incineration levels if it was able to shred waste that could not otherwise be incinerated. Compared with the 2005/06 revised budget assumption of £0.156m LondonWaste Ltd has submitted an account for £0.236m, i.e. an increase of £0.080m. Whilst the 2005/06 accounts allow for settlement of the claim in full the claim is currently being reviewed and any savings will be reported to a future meeting. At year-end the Authority has used (subject to verification) allowances for 306,971 tonnes of biodegradable waste resulting in a surplus of 5,962 2005/06 allowances.

4.12.2 In February 2006 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued accounting guidance for the 2005/06 accounting year. The 2005/06 Statement of Accounts therefore records the first year's effect of LATS. For accounting purposes DEFRA have set the value of allowances at £20.20 per tonne. As a consequence the Authority's 2005/06 allocation of 312,933 allowances has a notional value of £6.321m. As indicated above, after use of 306,971 allowances the Authority holds 5,962 surplus 2005/06 allowances which have a notional value of £0.120m. The actual value will not crystallise until the allowances are sold. The estimated surplus has been transferred to a LATS reserve pending a review of the Authority's landfill allowance requirements in the period to 2008/09.

4.13 **Hornsey Street Transfer Station : (+ £0.137m)**

4.13.1 In February the LB Islington, acting in their role as landlord for the Hornsey Street Transport and waste transfer facility advised that their previous estimate of costs for both 2005/06 and 2006/07 have been revised upwards, i.e. by £0.210m and £0.146m respectively. No further information is available at this stage, however, advice from LondonWaste Ltd indicates the costs in 2005/06 are likely to be offset by a reduction in operational costs of c. £0.073m, resulting in a net additional cost of £0.137m.

4.14 **Recycling Credits : (- £0.331m)**

4.14.1 Borough recycling credit claims for 2005/06 have yet to be submitted to the Waste Strategy and Contracts Team, which must then be audited by them. However, provisional figures provided by the boroughs indicate that recycling credit claims for 2005/06 are likely to total in the order of 154,500 tonnes, i.e. an increase of c. 30,600 tonnes compared with 2004/05. The 2005/06 final accounts have therefore been closed on this basis. As the current forecast represents a reduction of c. 4,300 tonnes

compared with the information supplied by boroughs in February 2006 the 2005/06 outturn allows for a saving of £0.331m.

4.15 **Other Recycling Initiatives : (- £0.030m)**

4.15.1 There has been a low level of activity in 2005/06.

4.16 **Agency Services : (- £0.139m)**

4.16.1 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. Here, lower than budgeted use of external advisers accounts for most of the saving (£0.106m). A further saving of £0.015m has arisen in respect of legal support services and miscellaneous other savings of £0.018m.

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

4.17.1 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 2005/06.

4.18 **Contingency : (- £0.300m)**

4.18.1 Although individual budget heads were reviewed in the light of the latest available information, it was considered prudent for the 2005/06 revised budget to retain a contingency of £0.300m to accommodate possible unforeseen additional costs in the closing months of the year. Outturn figures show that it has not been necessary to make a call on the contingency.

4.19 **Excess Creditor Provision (previous years) : (-£0.883m)**

4.19.1 During the period March to May it has been possible to finalise and agree with LondonWaste Ltd the Company's Landfill Tax claims covering the period 1996/97 to 2004/05, and the Compensation Review claims for the period 1999 to 2005. This has enabled excess budget provisions totalling £0.806m, which had been made during these years, to be written back to revenue in 2005/06. This represents the main reason for the increase in the write-back to revenue. Other excess provisions result from lower than estimated costs of the Waste Strategy and Contracts Team in 2004/05 (£0.038m), an additional write-back in respect of recycling credits covering a number of years (£0.017m) and the write-back of miscellaneous other small over provisions (£0.022m).

4.20 **Interest on Balances : (+ £0.327m)**

- 4.20.1 The revised budget assumed that interest relating to the outstanding compensation payment due to be paid by the Highways Agency for land acquired at the frontage to the Edmonton Plant would be paid in 2005/06. The income from this source, estimated to be at least £0.350m, will now slip into 2006/07.
- 4.20.2 A general improvement in the Authority's cash flow in the last 3 months of the year has partially reduced the income shortfall for the year by £0.023m.
- 4.21 **Dividend Income (LondonWaste Ltd)**
- 4.21.1 At the Annual General Meeting of LondonWaste Ltd on 28 April 2006 the Directors recommended that no dividend should be paid to shareholders as it was necessary for the Company to retain profits to help fund the cost making the Edmonton energy-from-waste plant compliant with the Waste Incineration Directive. This is in line with the Authority's budget assumptions.
- 4.22 **Charges to Boroughs for Non-Household Waste : (- £0.032m)**
- 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 2005/06 (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 will be calculated as part of the 2005/06 final accounts process and that this would be reported to the Authority in June 2006. Any under or over payment by boroughs would be collected from or repaid to boroughs at that time.
- 4.22.3 Although compared with the 2005/06 revised budget the income due to the Authority has reduced by £0.032m, a net repayment of £0.491m 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. £7.450m in 2005/06. Based upon 2005/06 outturn tonnages all but one borough will receive a refund; Barnet will be required to make an additional payment.
- 4.22.4 Compared with the original budget assumptions there has been a tonnage reduction of 10,994 tonnes and a price reduction of £0.03 per tonne.
- 4.22.5 Details of the original, revised and actual costs of non-household waste are shown in table 2 below.

Table 2	(1)	(2)	(3)	(4)
	2005/06	2005/06	2005/06	(Repayment

	Original Estimate	Revised Estimate	Actual Cost	due to Boroughs (Column 3 - 1)
Cost per tonne	£44.21	£44.14	£44.18	
	£	£	£	£
Barnet	850,114	868,764	879,712	29,598
Camden	1,600,225	1,527,288	1,517,804	(82,421)
Enfield	609,081	568,567	564,355	(44,726)
Hackney	1,105,383	1,010,850	1,010,264	(95,119)
Haringey	1,023,550	951,482	942,006	(81,544)
Islington	1,276,475	1,199,902	1,182,964	(93,511)
Waltham Forest	985,485	863,687	862,438	(123,047)
	7,450,313	6,990,540	6,959,543	(490,770)

5. **Capital Budget 2005/6**

5.1 There were no capital transactions in 2005/06.

5.3 At 31 March 2006 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 2005/06. 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 2005/06 accounts must be approved by the Authority by 30 June. The responsible officer is also required to report back to the Authority on any material amendments made as a result of the audit.

6.3 The draft statement is attached at Appendix B 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 2006. Deloitte & Touche, the Authority's external auditor, is scheduled to report on the key 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 2006/07 Revenue Budget**

7.1 At its meeting on 8 February 2006 the Authority agreed the 2006/07 budget at £50.486m, to be financed by estimated balances of £8.609m, charges to boroughs for non-household waste of £8.646m and a levy of £33,231m.

7.2 **Transport and Disposal**

7.2.1 At this early stage in the year, data collected about the waste stream for April and May does not at present warrant a change to the budget assumptions for the cost of transport and disposal in 2006/07. A greater appreciation of any trends that may be developing should become apparent when data is available for the period up to and including August. The outcome of this review will be reported to the September meeting of the Authority.

7.3 **Hornsey Street Transfer Station : (+ £0.146m)**

7.3.1 As indicated at 4.13.1 above the L.B.Islington has advised of a possible increase in costs for 2006/07.

7.4 **Interest on Balances : (- £0.350m)**

7.4.1 Interest relating to the outstanding compensation payment due to be paid by the Highways Agency for land acquired at the frontage to the Edmonton Plant should now be paid in 2006/07. An amount of £0.350m has been allowed for in the first review.

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

7.5.1 As indicated at 4.12.2 above, CIPFA accounting guidance has been made available for 2005/06. Assuming a continuation of the 2005/06 accounting arrangements into 2006/07 the first review recognises the Authority's 2006/07 allowances (320,610) at an estimated value of £20.20 per tonne at £6.477m. Although, for the purpose of the first review it has been assumed that the 2006/07 allowances will be fully utilised this position is currently being reviewed and the outcome should be reported to the next meeting of the Authority.

7.6 **Overview**

7.6.1 After allowing for the foregoing changes and the higher level of balances brought forward from 2006/07 Table 3 provides a summary of the current financial position:-

Table 3	2006/07	2006/07	
Expenditure	Original	First	Variance
	Budget	Review	
	£'000	£'000	£'000

Main Waste Disposal Contract (Ex CA Waste)	26,879	26,879	
- Clinical Waste	236	236	
- Fridges and Freezers	482	482	
- In-Vessel Composting Facility	1,710	1,710	
- Dry Recyclable Bulking Arrangement	1,211	1,211	
Civic Amenity Waste	1,706	1,706	
Landfill Tax	6,592	6,592	
Hazardous Waste – TV and Computer Screens	109	109	
WEEE Directive	750	750	
Hendon Transfer Station	414	414	
Hornsey Street Transfer Station	2,652	2,798	146
Recycling Credits	5,680	5,680	
Other Recycling Initiatives	100	100	
BMW Diversion Incentive Scheme	432	432	
Agency Services	487	487	
Waste Strategy and Contracts Group	846	846	
Waste Contract – procurement Costs	500	500	
Annual Compensation	32	32	
Provision for Possible Litigation Costs	50	50	
LATS – use of Allownces	0	6,477	6,477
Contribution to Earmarked Reserve/Recycling	50	50	
	<u>50,918</u>	<u>57,541</u>	<u>6,623</u>
Less income:			
Rents	(82)	(82)	
Interest on Balances	(850)	(1,200)	(350)
LATS Grant	0	(6,477)	(6,477)
Estimated Dividend Stream (LWL)	0	0	
	<u>(932)</u>	<u>(7,759)</u>	<u>(6,827)</u>
Net Expenditure	49,986	49,782	(204)
Contingency	<u>500</u>	<u>500</u>	
Total Net Expenditure 2006/07	50,486	50,282	(204)
	=====	=====	=====
Financed By :-			
Balances B/fwd	(8,609)	(9,987)	(1,378)
Charges to Boroughs (Non-household waste)	(8,646)	(8,646)	
2006/07 Levy	<u>(33,231)</u>	<u>(33,231)</u>	
Total Resources Available 2006/07	50,486	51,864	(1,378)
	=====	=====	=====
Estimated Revenue Balances			
as at 31 March 2007 (Surplus)	0	(1,582)	(1,582)

8. **Review of Outlook for 2007/08, 2008/09 and 2009/10**

- 8.1 At the Authority Meeting in February I advised that assuming the full use of forecast revenue balances in 2006/07, the increase in the cost to constituent councils in 2007/08 could be in the region of 20.2%, a reduction of 0.2% 2008/09 and an increase of 6.6% in 2009/10. These forecasts assumed further year-on-year increases in the waste stream of 2% per annum (as adjusted for further stepped increases in recycling) and known and

proposed changes to landfill tax rates during this period (expected to increase by £3 per tonne per year). The forecasts also allowed for the expected reduction in landfill tax costs following a return to pre-WID levels of incineration after completion of the WID refurbishment works at the Edmonton energy-from-waste facility. When considering the figures it should also be borne in mind that 2007/08 will be the last year in which it will pay a local recycling credit payment. Thus, although 2008/09 estimated net expenditure appears to reduce by £0.110m, discounting the phasing out of the local voluntary recycling credit payment means that in real terms the Authority's budget has increased by £3.378m.

- 8.2 Although the 2006/07 budget allows for the cost of developing the North London Joint Waste Strategy with its constituent councils no specific allowance had been made for the costs of delivering the strategy in future years. In February Members were advised that this would be the subject of a future report to the Authority in 2006/07.
- 8.3 Given current uncertainties regarding the level of LATS surplus allowances and the future market for LATS no allowance has been made for a potential income from this source.
- 8.4 Table 4 provides only a partial update of the Authority's medium term budget and resource requirements. Further information can be found at Appendix C.

Table 4	2007/08 £'000	2008/09 £'000	2009/10 £'000
Estimated net expenditure (February 2006)	50,328	50,218	53,521
Less estimated revenue balances @ 31/3/07	- 1,582	0	0
Net expenditure to be funded by Constituent Councils	48,746	50,218	53,521
Less cost to Constituent Councils:			
2006/07 (actual)	41,877		
2007/08 (Estimate)		48,746	
2008/09 (Estimate)			50,218
Estimated increase in cost to Constituent Councils	6,869	1,472	3,303
Percentage increase over the cost in previous year	16.4%	3%	6.6%

- 8.5 Table 4 indicates that the cost to constituent councils could rise by up to 16.4% in 2007/08, a further 3% in 2008/09 and by a further 6.6% in 2009/10. In addition, and as indicated above, the Authority is likely to encounter other budget pressures which are not at present quantifiable, and will be the subject of future reports to the Authority.

9. Conclusion

- 9.1 On the basis of current information, and allowing for the improvement in revenue balances brought forward from 2005/06, the 2006/07 budget should remain sufficiently robust to meet the costs of the Authority's waste disposal obligations in the current year.
- 9.2 For reasons set out in this report waste disposal costs are likely to continue to rise significantly over the coming years. The Authority faces the prospect of a number of budget pressures in future years. Members will be kept informed of developments. A further review of the Authority's financial position will be submitted to the Authority in September.
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 8 February 2006 – Revenue Budget and Levy 2006/07
2005/06 Final Account Working Papers

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