

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: BUDGET AND LEVY 2019/20

REPORT OF: FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 7 FEBRUARY 2019

SUMMARY OF REPORT:

This report is the fourth in the current year on the Authority's finances. It concludes that the Authority is forecast to have a revenue balance of £5.377m at 31 March 2019, i.e. an increase of £0.858m compared with the third review.

A detailed assessment of the budget and resource requirements for 2019/20 indicates that on a like for like basis, the net budget requirement might increase by 1.13%. However, including the financing costs relating to the commencement of the North London Heat and Power Project, the net budget requirement is £69.504m. This is an increase of £2.752m (4.12%) compared with the 2018/19 budget but £1.662m less than the 2019/20 budget forecast reported in December 2018.

In addition to the increase in the net budget requirement in 2019/20 compared with 2018/19, the forecast balance of £5.377m at 31 March 2019 available to support the 2019/20 levy is £2.642m lower than the £8.019m used to support the 2018/19 budget and levy.

After use of the forecast revenue balance of £5.377m the Authority's 2019/20 budget will require funding of £64.127m by constituent councils. This report recommends that £9.111m is funded through the non-household waste charging arrangement and £1.834m through the household waste charging arrangement, leaving £53.182m to be funded through the levy. The total levy for 2019/20 consists of a base element of £48.350m and a Re-use and Recycling Centres (RRC) element of £4.832m. The overall levy represents an increase of 9.63% compared to 2018/19.

The Members' Finance Working Group met on 15 January to examine the assumptions that underpin the current budget forecast and the levy and to consider an early draft of the budget calculations in this report. Comments made by Members in these meetings as well as comments made by Borough Directors of Finance in a meeting on 18 January are reflected in this report.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Satisfy itself that the proposed budget will be sufficient to meet the net expenditure requirements for the year ahead and agree the 2019/20 budget.
- B. Agree to use revenue balance of £5.377m to support the 2019/20 budget.
- C. Determine the levy for 2019/20.
- D. Authorise the Financial Adviser to make the arrangements for collection of the levy and charges for non-household and household waste.
- E. Approve the Prudential Indicators and the basis for calculating the Minimum Revenue Provision as laid out in sections 6 and 7.
- F. Approve the per tonne charge for non-household and chargeable household residual and recyclable waste as follows:
 - Residual £88.94
 - Dry Recyclable £59.69
 - Food £26.93
 - Green £50.28
- G. Note the medium term budget forecasts for 2020/21, 2021/22 and 2022/23

SIGNED: Jon Rowney - Financial Adviser

DATE: 28 January 2019

1. INTRODUCTION

- 1.1. At the Authority's meeting on 6 December 2018, Members were provided with a view of the financial position including an assessment of the budget and resource requirements for 2019/20. The 2019/20 net budget requirement was forecast to be £71.166m.
- 1.2. After the proposed use of balances (£4.519m), it was estimated that the budget would be funded by £9.206m through the non-household waste charging arrangement and £1.867m through the household waste charging arrangement. The remaining funding would be provided by a levy of £55.574m comprising a base element of £50.409m and an RRC element of £5.165m.
- 1.3. The December review also drew attention to the budget issues that would need to be addressed at this meeting and noted that the Members' Finance Working Group (MFWG) would meet in January. In addition, officers would consult with borough Directors of Finance on the underpinning budget assumptions.
- 1.4. The MFWG met on 15 January and considered an early draft of the underpinning information in this report. The Group acknowledged that it was important that the Authority agree a budget that is sufficiently robust and flexible to meet its statutory operational obligations and to ensure that sufficient funding was available to support the North London Heat and Power Project.
- 1.5. Officers met with borough Directors of Finance on 18 January. Consideration was given to the Authority's budget and resource requirements for 2019/20.
- 1.6. This report provides an updated review of the 2018/19 budget and presents for consideration a draft budget for 2019/20. It also provides budget and levy medium term forecasts for 2020/21 to 2022/23.
- 1.7. The draft budget for 2019/20 contains a net expenditure requirement of £69.504m, an increase of 4.12% compared to the 2018/19 budget. If the additional costs of borrowing to fund the North London Heat and Power Project were excluded (to provide a like-for like comparison), the increase would be limited to 1.13%.
- 1.8. The net expenditure requirement will be funded by non-household waste charges of £9.111m, household waste charges of £1.834m and a levy of £53.182m (consisting of a base element of £48.350m and a Re-use and Recycling Centre (RRC) element of £4.832m). The levy for each borough is shown below in table 1.

Table 1 Column	2018/19 Levy (including balances)	2019/20 Proposed Levy			Total estimated levy change (Column 4 minus Column 1)	
	(1)	Headline Levy (2)	Balances Available (3)	Budgeted Levy (4)	£'000	%
	£'000	£'000	£'000	£'000	£'000	%
Barnet	11,039	11,863	(1,492)	10,371	(668)	(6.05)
Camden	5,162	6,461	(905)	5,556	394	7.63
Enfield	6,517	7,638	(503)	7,135	618	9.48
Hackney	6,765	7,964	(966)	6,998	233	3.44
Haringey	5,755	8,472	(453)	8,019	2,264	39.34
Islington	5,794	6,756	(770)	5,986	192	3.31
Waltham Forest	7,479	9,405	(288)	9,117	1,638	21.90
Total	48,511	58,559	(5,377)	53,182	4,671	9.63

1.9. This report contains sections as follows:

- Section 2 Review of the 2018/19 Revenue Budget.
- Section 3 2019/20 Draft Budget.
- Section 4 Apportionment of the 2019/20 levy.
- Section 5 Medium Term Forecast for 2020/21 to 2022/23.
- Section 6 Prudential Indicators.
- Section 7 Minimum Revenue Provision
- Section 8 Advice on Reserves and Balances.
- Section 9 Conclusion.
- Section 10 Comments of the Legal Adviser.

Appendix A 2018/19 supporting information and tables.

Appendix B 2019/20 supporting information and tables

Appendix C Medium Term Forecast for 2020/21 to 2022/23.

2. REVIEW OF THE 2018/19 REVENUE BUDGET

2.1. At its meeting on 8 February 2018 the Authority agreed a budget of £66.752m to be financed by using balances of £8.019m, charges to boroughs for non-household waste and chargeable household waste of £8.510m and £1.712m respectively, and a levy of £48.511m.

2.2. In subsequent reviews, Members have been advised of the following changes to outturn compared to the budget:

Table 2	£m
Higher level of balances brought forward from 2017/18	(3.943)
Residual waste treatment contracts	1.165
Electricity Income Claim	(1.399)
Landfill Tax	(0.325)
New contracts for treatment of organic waste	(0.727)
Corporate and service cost savings	(0.450)
Slippage from 2016/17 of NLHPP costs	0.396
Deterioration in sales prices of recyclable material	0.960
Increase in chargeable waste income	(0.117)
Reductions in capital financing costs	(0.178)
Other minor variances	0.099
Total	(4.519)

2.3. The 2017/18 outturn produced additional balances of £3.943m. The first three reviews of 2018/19 have identified changes totalling £0.576m. This fourth review has identified a number of other changes, the net effect of which is estimated to increase the level of surplus revenue balances likely to be available at 31 March 2019 by a further £0.858m. The total forecast balances at 31 March 2019 and available to support the 2019/20 budget and levy therefore are £5.377m. The 2018/19 budget and the conclusions of the third and fourth reviews are shown in Table A1 of Appendix A. Tables A2 and A3 in Appendix A show the forecast balances at 31 March 2019 at a borough level. Tables A4 and A5 provide an analysis by borough of the forecast refunds due to or additional payments due from the boroughs in respect of chargeable waste. Details of the most significant changes identified by the third review are shown in paragraphs 2.4 to 2.12 below.

2.4. Transport, Disposal and Landfill Tax: (- £0.543m)

- 2.4.1. A key variable in this budget is the amount of residual waste delivered to the Authority by the boroughs. The third review presented to the December 2018 meeting was based on a forecast of 586,296 tonnes. This was 1.72% less than the 596,530 tonnes that underpinned the 2018/19 budget but was 0.60% greater than the 2017/18 actual tonnage of 582,795.
- 2.4.2. Following completion of the December report, Authority officers held a series of meetings with their constituent borough counterparts to discuss tonnage forecasts. The forecasts set out in table 3 on the following page, reflect the outcomes of these meetings. The key message from these meeting is that officers do not anticipate any growth in the residual waste stream in the remainder of the current financial year
- 2.4.3. Total residual waste delivered to the Authority in 2018/19 is forecast to be 580,465 tonnes. This is 5,831 tonnes less than included in the third review.
- 2.4.4. Within the overall 2.69% tonnage reduction compared with the budget there are more significant changes for some boroughs.

Table 3	2017/18 Actual Tonnes	2018/19 Budget Tonnes	2018/19 4th Review Tonnes	Change %
Barnet	101,059	105,010	99,527	-5.22
Camden	77,512	75,284	77,192	+2.53
Enfield	87,279	90,418	89,277	-1.26
Hackney	91,155	93,918	90,336	-3.81
Haringey	73,441	75,486	73,310	-2.88
Islington	80,670	83,837	79,268	-5.45
Waltham Forest	71,679	72,577	71,555	-1.41
Total	582,795	596,530	580,465	-2.69

2.4.5. Although the main purpose of preparing the tonnage forecast is to underpin the Authority's cost forecast calculations, tonnage variations for each borough will determine what if any forecast balances will be available to support each borough's 2019/20 levy.

2.4.6. Within the variations in the total tonnage there are changes to the proportions processed through Edmonton and Hendon. Much of Barnet's residual waste is delivered to the Hendon waste transfer station as is around half of Camden's. Changes in the tonnages from these boroughs will have a direct impact on the sums the Authority must pay to have waste processed at the EfW facility at Greatmoor, Buckinghamshire. Since this is more expensive than processing waste at Edmonton, when circumstances permit, LondonEnergy Ltd (LEL) transports waste from Hendon for processing at Edmonton. Again, variations in the tonnage that LEL is able to transport will produce budget variances.

2.4.7. The Authority's contract with LEL provides for a price review each December based on changes in the Retail Price Index (RPI). The 2018/19 budget allowed for an increase of 3.2% in December 2018 and the third review assumed 3.4%. The December 2018 RPI increase was 2.7% and this has been used in all relevant calculations in this report.

2.4.8. Allowing for all of the above changes, the cost of transporting and treating residual waste in 2018/19 is forecast to be £34.619m which is £0.543m less than the third review forecast.

2.5. Biodegradable and MRF Waste Services: (- £0.317m)

2.5.1. Based on forecast data agreed with constituent boroughs, the Authority is expecting to deliver 114,704 tonnes of dry recyclable waste to its MRF providers in 2018/19. It is estimating however that 3,473 tonnes of this will not be processed because of contamination so this fourth budget review is based on a total tonnage of 111,231. This is 2,635 tonnes less than the third review. The cost of processing the contaminated tonnage is included in the residual waste budgets discussed above. Compared with the third review, expenditure on transporting and processing mixed dry-recyclates is estimated to reduce by £0.163m to £7.138m.

Table 4	2017/18 Actual Tonnes	2018/19 Budget Tonnes	2018/19 4th Review Tonnes	Change %
Barnet	27,096	29,457	27,232	-7.55
Camden	18,754	24,834	19,651	-20.87
Enfield	0	0	0	+0.00
Hackney	17,311	17,578	17,513	-0.37
Haringey	16,581	16,829	15,931	-5.34
Islington	14,070	14,536	14,808	+1.87
Waltham Forest	17,186	18,185	16,096	-11.49
Total	110,998	121,419	111,231	-8.39

2.5.2. Boroughs have forecast deliveries of biodegradable waste totalling 45,678 tonnes, a reduction of 3,367 from the third review. Expenditure on the biodegradable wastes service is forecast to be £1.665m or £0.154m less than the third review.

Table 5	2017/18 Actual Tonnes	2018/19 Budget Tonnes	2018/19 4th Review Tonnes	Change %
Barnet	19,375	20,017	16,151	-19.31
Camden	3,943	4,674	4,232	-9.46
Enfield	0	0	0	+0.00
Hackney	6,869	6,660	6,799	+2.09
Haringey	6,820	5,230	5,284	+1.03
Islington	4,092	4,548	4,335	-4.68
Waltham Forest	9,004	9,600	8,877	-7.53
Total	50,103	50,729	45,678	-9.96

2.6. Transfer Stations and Other Sites (-£0.149m)

2.6.1. The Authority pays London Borough of Islington an on account payment for the shared running costs of the Hornsey Street Transfer station. A balance is due to the Authority as costs have been less than anticipated.

2.7. Strategy & Service Team (+£0.077m)

2.7.1. The methodology for recharging staff costs to RRCs has been amended and this increase is offset by a corresponding reduction in RRC costs.

2.8. Recycling Initiatives: (- £0.046m)

2.8.1. The Authority has received applications from charities relating to the first two quarters of the year, for third party recycling credits. Claims have been lower than anticipated and the forecast has been reduced accordingly.

2.9. Income from the sale of Recyclates: (+ £0.068m)

- 2.9.1. After allowing for rejected contaminated loads, the latest tonnage forecasts provided by the boroughs for comingled waste (paragraph 2.5.1) represent a decrease of 2,635 tonnes compared to the third review. Prices achieved in the market by the Authority's MRF contractors averaged £23.70 per tonne in 2017/18 and £11.42 for the first two quarters of 2018/19. The price achieved in the second quarter was slightly lower than was forecast in the December review.
- 2.9.2. Members will be aware that in late December 2017 China announced restrictions on the import of unsorted paper and card as well as some grades of plastics. These developments led to significant reductions in prices. There is however, some evidence of a pick-up in the second quarter of 2018/19 and this fourth review assumes an average price of £16.14 per tonne for the third and fourth quarters and average for the year of £13.92. This is £0.28 less than included in the third review. This, together with the reduction in forecast tonnage has led to an estimated reduction of £0.068m in income compared to the third review.

2.10. Charges to Boroughs for Non-Household Waste: (+ £0.098m)

- 2.10.1. The boroughs have informed the Authority that they expect to send 94,899 tonnes of residual waste compared with the third review of 95,653 tonnes. The 2018/19 budget was based on 95,443 tonnes. Additionally, the boroughs expect to deliver 9,600 tonnes of recyclable and 1,469 tonnes of biodegradable waste compared with the third review tonnes of 9,930 and 1,595 respectively. The 2018/19 budget was based on 10,782 tonnes of dry recyclable and 1,018 of biodegradable waste. The menu price levy calculation arrangements also apply to chargeable waste and the changes in the Authority's costs discussed in this report have resulted in some reductions in the price per tonne on which the Authority bases its assessment of chargeable waste income.
- 2.10.2. Boroughs make on account payments to the Authority during the year based on the original estimate. Any additional sums due or refunds are determined as part of the 2018/19 final accounts process. Table A4 in Appendix A provides an analysis by borough. The table indicates that Camden, Enfield, Hackney and Islington may be required to make an additional payment to the Authority. The other boroughs could receive a refund.

2.11. Charges to Boroughs for Chargeable Household Waste: (+ £0.013m)

- 2.11.1. The latest declarations by the boroughs indicate small increases in residual and recyclable tonnages compared with the third review. Estimated charges are shown in table A5 in Appendix A.

2.12. Balances at 31 March 2019

- 2.12.1. The menu price based levy requires the Authority to attribute all of its costs to the boroughs and to hold borough specific balances. A positive balance

for a borough can be used to support a future year's levy but if negative it will be recovered through an addition to a future year's levy. Tables A2 and A3 in Appendix A show each boroughs share of the forecast balances of £0.291m owed by boroughs for RRCs and £5.668m to be returned to boroughs for the Base levy.

2.13. Overview

2.13.1. Allowing for the factors outlined above, the total net expenditure in 2018/19 for the Authority is estimated to be £65.324m. This represents a reduction of £0.969m compared with the third budget review reported in December. Taking into account a reduction in forecast income from non-household and household charges since December of £0.111m, the revenue surplus at 31 March 2019 is currently forecast to be £5.377m, an increase of £0.858m since the third review reported in December.

2.13.2. In preparing this budget forecast Authority officers have worked closely with borough officers to formulate the underlying tonnage forecasts which include no allowance for residual waste tonnage growth. If the downward trend seen in recent years continues for the remainder of 2018/19, the budget forecast for the treatment of residual waste should be sufficient. Should that trend reverse in the remainder of 2018/19 however, this could result in a call on the contingency to meet the resulting additional costs. This in turn will reduce the balances at 31 March 2019 available to support the 2020/21 levy.

3. 2019/20 DRAFT BUDGET

3.1. At the Authority meeting in February 2018, Members were provided with an early forecast of the budget and resource requirements for 2019/20. The net budget requirement was estimated to be £69.212m. The draft budget presented in this report has increased by £0.292m to £69.504m. Compared to the 2018/19 budget, the proposed budget for 2019/20 is £2.752m higher. The changes from the 2018/19 budget are discussed below.

3.2. In setting the levy for 2018/19, no balances were forecast as being available to support the 2019/20 budget and levy. Taking this into account the levy was forecast to increase by 20.88% in 2019/20. Since then, revenue balances at 31 March 2018 improved by £3.943m. In addition, reviews of the 2018/19 budget reveal the likelihood that revenue balances at 31 March 2019 could increase by a further £1.434m to £5.377m.

3.3. The projected year on year change to the levy and charges is summarised on the following page:

Table 6	2018/19 Budget	2019/20 Draft Budget	Variance	Variance
	£'000	£'000	£'000	%
Charges – non-household	8,510	9,111	601	7.06
Charges – household	1,712	1,834	122	7.13
Levy	48,511	53,182	4,671	9.63
Total	58,733	64,127	5,394	9.18

3.4. As per table 6 above, there is a forecast increase in the overall levy of 9.63%. Although the Authority's net budget requirement is forecast to increase in 2019/20 by £2.752m (4.12%), the balances available to reduce the levy are lower than were available for 2018/19 by £2.642m. The decreased balances causes the levy increase by a higher percentage compared to the net budget.

3.5. The Authority's draft budget is included at table B1 in Appendix B. The draft budget includes the following factors:

3.6. Inflation

3.6.1. The majority of the Authority's contracts are linked to changes in the Retail Price Index (RPI) with the most significant of these linked to the December Index. The increase in RPI in December 2018 was 2.7%. The summary of independent forecasts published by HM Treasury in January 2019 puts the December 2019 annual RPI increase at 2.9% and the draft budget reflects this level of increase in the relevant costs. Other categories of expenditure particularly those subject to an RPI increase in April 2019 have been increased by 3.0%.

3.7. Employee Resources

3.7.1. The employee resource budget is based on 34.14 full time equivalent posts. It includes provision for the 2.0% pay award in April 2019 agreed by local government employers and unions in April 2018.

3.8. Transport and disposal

3.8.1. The 2019/20 draft transport and disposal budget is based on a residual waste stream of 581,525 tonnes, i.e. an increase of 820 tonnes (0.18%) over the 2018/19 forecast outturn. This very modest increase reflects detailed discussions with officers from all constituent boroughs. Although the trend in residual waste tonnage delivered by the boroughs has been largely downward in recent years, the absence of any significant growth allowance compared with previous year's budgets has led to a lower proposed budget but an increased likelihood of adverse budget variances. Authority and borough officers will need to monitor the situation carefully as the year unfolds.

- 3.8.2. The overall increase in this budget of £1.504m compared to 2018/19 reflects effect of the 2.7% increase in contract prices from January 2019 plus an allowance of 2.9% for a price increase in January 2020. It also reflects assumptions about the amount of residual waste that LEL is able to transport from Hendon for processing at Edmonton. Also, the estimate of the compensation payable to LEL under the electricity income claim provisions of the main waste contract has increased reflects certain assumptions about the prices LEL is able to secure for its sale of electricity.

3.9. Landfill Tax

- 3.9.1. The standard rate of landfill tax will rise from £88.95 to £91.35 per tonne on 1 April 2019.

3.10. Biodegradable and MRF Waste Services

- 3.10.1. The draft budget reflects the intention of the constituent boroughs to deliver 45,983 tonnes of biodegradable waste to the Authority in 2019/20. Compared with the 2018/19 budget, this represents a decrease of 4,746 tonnes. The main contributory factor is Barnet's decision to cease separate collection of food waste.
- 3.10.2. Boroughs have indicated that they will need treatment capacity for 113,299 tonnes of dry recyclable material in 2019/20, a reduction of 8,120 tonnes in the tonnage that informed the 2018/19 budget. With some minor exceptions forecasts for all boroughs are lower for 2019/20 than for 2018/19.
- 3.10.3. Members will be aware that the Authority is currently in the process of procuring MRF services with a view to letting contracts that will commence in December 2019. Officers have made certain assumptions about the prices contained in the new contracts.

3.11. Re-use and Recycling Centres

- 3.11.1. The draft budget provides for the operation of seven Re-use and Recycling Centres. Increased costs in the budget reflect the additional staffing agreed with LondonEnergy Ltd in the spring of 2018 and rising costs of processing some types of recyclates. This is partially offset by the reduction in the number of tonnes of residual waste requiring transport and disposal. Authority officers are continuing to work with their counterparts at LEL to maximise budgeted savings and generate further income from recyclates.
- 3.11.2. The amounts charged to the relevant boroughs through the 2018/19 levy will also reflect the forecast additional balances at 31 March 2018. An analysis by borough is provided in table B2 in Appendix B.

3.12. Waste Prevention Programme

- 3.12.1. The draft budget provides for the second year costs of the two-year programme approved at the February 2018 Authority meeting. This includes £0.062m to support the real nappy initiative.

3.13. Joint Communications Initiative

Although 2018/19 was the final year of the three year Communications Campaign on Household Recycling in North London, the Members Recycling Working Group (MRWG) requested and considered a paper of three options for ongoing recycling communications across north London in 2019/20. All three presented options continue to use the adverts that have been produced for the campaign to date. MRWG recommended Option 1 be followed which involves one further burst of television and digital advertising in 2019/20 but without the same level of social media support that has been delivered to date by the communications agency. The cost of this is reflected in the budget. The MRWG paper is available on the Authority's website: <http://nlwa.gov.uk/media/2625/recycling-comms-2019-20-budget-options-emailed-out-by-bh-10-jan.pdf>

3.14. Recycling Initiatives

- 3.14.1. The Authority has the power to pay third party re-use and recycling credits. Charitable bodies wishing to join the scheme for 2019/20 have estimated that claims in 2019/20 will total £0.239m.

3.15. North London Heat and Power Project

- 3.15.1. The budget forecast reflects the resources required to deliver the ongoing project in 2019/20. It is anticipated that as the project moves from the planning stage to construction, an increasing element of the staffing and consultancy costs can be accounted for as capital expenditure.

3.16. Revenue Funding – Capital Programme

- 3.16.1. The budget forecast provides for the financing of:

the Authority's investment in LondonWaste Ltd
the acquisition of Pinkham Way
the acquisition of Land adjacent to the EcoPark for the North London Heat & Power Project
the future acquisition of the RRC site at Western Road
the future construction of the laydown area and the new Resource Recovery Facility
the possible acquisition of an additional RRC site and the refurbishment of other RRC sites

- 3.16.2. The borrowing assumptions were discussed with borough Directors of Finance at their meeting on 18 January. Directors concurred that interest costs should be minimised as much as possible and that the borrowing should be managed within the Authority's overall cash flow requirements.

3.17. Income from the sale of Recyclates

3.17.1. The average sales value per tonne increased in the second quarter of 2018/19 and there are some signs of a further improvement. The Authority is forecasting that the improvement will continue into 2019/20 and has factored in an average price of £19.61 for 2019/20. Forecasting global market prices is notoriously difficult and there is a risk that prices will not hold.

3.18. Non-household Waste Charges

3.18.1. Following upon discussions with boroughs officers the Authority is expecting to receive 106,851 tonnes in 2019/20 comprising 95,168 tonnes of residual waste, 10,129 tonnes of dry recyclable waste and 1,554 tonnes of food waste.

3.18.2. The Authority has estimated charges for the treatment of such waste to be £88.94 per tonne for residual waste, £59.69 for dry-recyclable waste and £26.93 for food waste. The charge for dry recyclable waste is inclusive of the income the Authority receives through the income sharing arrangements with its MRF providers.

3.18.3. Based on the advised tonnages the estimated cost to the boroughs is £8.464m for residual waste, £0.605m for dry recyclable waste and £0.042m for food waste. Further details are shown in table B4 in appendix B.

3.19. Chargeable Household Waste

3.19.1. Boroughs have advised the Authority that they expect to collect 22,284 tonnes of chargeable household waste comprising 18,518 tonnes of residual waste, 2,615 tonnes of recyclable and 1,151 tonnes of food waste.

3.19.2. The Authority has calculated the estimated charges for the treatment of chargeable household waste as £88.94 for residual waste, £59.69 for dry-recyclable waste and £26.93 for food waste.

3.19.3. The estimated cost to the boroughs is £1.647m for residual waste, £0.156m for dry recyclable waste and £0.031m for food waste. Further details are provided in table B5 in Appendix B.

3.20. Contingency

3.20.1. 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 these budgets are soundly based, the Authority needs to consider how it would fund any additional costs. In particular, if there are concerns about the level of the waste stream delivered to the Authority by constituent councils, its ability to generate income from the sale of recycling or its ability to ensure that there are sufficient resources to fund the costs of The North London Heat and Power Project.

- 3.20.2. In coming to a view on this, Members should bear in mind that once the levy is set the Authority would not be in a position to secure additional funds from its constituent councils. Because over three-quarters of the Authority's expenditure in any year in the life of the budget and medium term plan is driven by the amount of waste collected by the constituent boroughs, it has limited scope to make compensating savings for additional costs that may arise in meeting its waste disposal obligations. Although the Authority has responsibility for the disposal of the waste from its constituent councils, it has no direct control over the volumes of waste entering the waste stream. A variance to the budgeted tonnages could arise by either a higher than expected growth in the waste stream or constituent councils not recycling as much as forecast. These factors place greater emphasis on the need to have robust budgets and adequate contingencies to deal with such eventualities.
- 3.20.3. 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 the Authority's reserves (see section 8 below). As noted in the third review of the budget in December 2018, there is a high degree of uncertainty about the scale of a number of budget pressures in the coming year. This is particularly the case for income generated from the sale of recyclates as well as electricity compensation payments that the Authority pays to LEL. The latter is strongly influenced by prevailing electricity prices. It is proposed to include a 2% operational base contingency provision of £1.335. This is consistent with Authority's practice in previous years.
- 3.20.4. It is proposed that a contingency of £1.000m be reserved for the North London Heat & Power Project and related matters. Again, this is consistent with previous years. This budget cannot be used without further Authority approval.
- 3.20.5. At the time of writing this report Brexit remains a major uncertainty. Whilst the Authority has no direct stake in the UK's trading and other relationships with the European Union, it is considered prudent to include a further £0.400m contingency to assist in meeting additional costs and income shortfalls that may arise directly from Brexit.
- 3.20.6. Unspent contingency budgets will be returned to the boroughs through the calculation of the year-end balances.

4. LEVY APPORTIONMENT ARRANGEMENTS

- 4.1. All boroughs formally agreed to adopt a menu price based levy for 2016/17 onwards.
- 4.2. Table 7 below, summarises the estimated levy impact for each council after any balances available have been taken into account (further details of the calculation for 2019/20 can be found in tables B2 and B3 in Appendix B):

Table 7	2018/19 Levy			2019/20 Proposed Levy			Total estimated levy change (Column 6 minus Column 3)	
	Base	RRC	Total	Base	RRC	Total	£'000	%
Column	(1)	(2)	(3)	(4)	(5)	(6)		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Barnet	9,859	1,180	11,039	9,138	1,233	10,371	(668)	(6.05)
Camden	4,611	551	5,162	5,165	391	5,556	394	7.63
Enfield	6,485	32	6,517	7,096	39	7,135	618	9.48
Hackney	6,500	265	6,765	6,741	257	6,998	233	3.44
Haringey	5,527	228	5,755	7,320	699	8,019	2,264	39.34
Islington	5,014	780	5,794	5,220	766	5,986	192	3.31
Waltham Forest	6,418	1,061	7,479	7,670	1,447	9,117	1,638	21.90
Total	44,414	4,097	48,511	48,350	4,832	53,182	4,671	9.63

5. MEDIUM TERM FORECAST FOR 2020/21 TO 2022/23

- 5.1. The medium term forecast allows for inflation at 2.5% year on year, a 0.5% year on year growth in the residual waste stream. Although prudent provision has been made for these costs, the Authority's budget is exposed to a number of factors outside its control. A 1% variance in inflation could add or subtract costs of approximately £0.7m in a full year. Similarly, a 1% variation in tonnages could have a further impact of £0.6m per annum.
- 5.2. The Authority's contract with LEL includes an annual price adjustment, which is linked to the sale value of electricity obtained by the Company. The medium term forecasts reflect what officers consider to be a reasonable assumption about future sale prices. A 0.1p per kilowatt-hour change in electricity prices would add or subtract approximately £0.2m in a full year.
- 5.3. The outlook for the levy has been discussed with both the Member Finance Working Group and Borough Directors of Finance. The Medium Term Forecast assumes that there will be no balances at the end of 2019/20. Appendix C contains the medium term forecast and shows that the net expenditure requirement is forecast to increase to £70.289 (1.13%) in 2020/21, £72.875m (3.68%) in 2021/22 and £93.662m (28.52%) in 2022/23.
- 5.4. Assuming that no balances are available to support budgets for 2020/21 and beyond, net expenditure and levies are forecast as in table 7 on the following page:

Table 8	2019/20 Proposed Levy £'000	2020/21 Budget Forecast Levy £'000	Variance £'000	%
Barnet	10,371	11,836	1,465	14.13
Camden	5,556	6,435	879	15.82
Enfield	7,135	7,841	706	9.89
Hackney	6,998	7,993	995	14.22
Haringey	8,019	8,786	767	9.56
Islington	5,986	6,780	794	13.26
Waltham Forest	9,117	9,462	345	3.78
Total	53,182	59,133	5,951	11.19

Table 9	Net Expenditure £'000	Base Levy £'000	RRC Levy £'000	Total £'000	Increase %
2020/21	70,289	54,213	4,920	59,133	11.19
2021/22	72,875	56,244	5,037	61,281	3.63
2022/23	93,662	72,904	5,156	78,060	27.38

5.5. It should be noted that the 2020/21 levy apportionment in tables 8 and 9(above) is based on forecast household waste tonnages for each borough. The forecasts have been informed by the boroughs' own forecasts of their plans for both residual waste and recycling activity in 2019/20 and the amount of recyclable materials that they plan to send to the Authority for treatment. The table therefore provides a guide based on current information.

6. PRUDENTIAL INDICATORS

6.1. The Authority determines its capital investment needs to meet its service obligations. In doing so, it must have regard to *The Prudential Code for Capital Finance in Local Authorities*. The Code is designed to ensure that local authorities have capital investment plans that are affordable, prudential and sustainable. To demonstrate that they have fulfilled these objectives the Code sets out indicators that must be used.

6.2. Indicators for Affordability

6.2.1. The Authority's capital programme for 2019/20 to 2021/22 includes:

- 6.2.1.1. Purchase of the Western Road RRC.
- 6.2.1.2. Acquisition of lease for EcoPark land.

- 6.2.1.3. Commencement of the preliminary works to construct the Resource Recovery Facility and EcoPark House at the Edmonton EcoPark.
- 6.2.1.4. Possible acquisition of a RRC site should the opportunity arise and refurbishment works at existing sites.

6.2.2. Based on this capital programme of £151.0m (2018/19 to 2021/22) the following ratios of financing costs to net revenue stream are recommended for approval:-

Ratio of Financing Costs to Net Revenue Stream					
	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	14.08%	14.13%	16.68%	17.27%	18.25%

For the Authority, Net Revenue Stream is the Levy.

6.2.3. 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 the Authority are:

Impact on the NLWA Levy					
	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	Nil	-£0.172m	£0.584m	£1.487m	£1.927m

6.3. Indicators for Prudence

6.3.1. The Capital Financing Requirement measures the underlying need to borrow. The Code provides that over the medium term net external borrowing does not exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and next two years. This provides assurance that borrowing will be incurred only for capital purposes. I confirm that the Authority met this requirement in 2017/18 and no difficulties are envisaged in 2018/19 or subsequent years. The following Capital Financing Requirements are therefore recommended for approval:

Capital Financing Requirement					
	31.03.18 Actual	31.03.19 Estimate	31.03.20 Estimate	31.03.21 Estimate	31.03.22 Estimate
	£68m	£107m	£131m	£169m	£197m

6.3.2. The Code requires that treasury management is carried out in accordance with good practice. The prudential indicator is that a local authority has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. Members will be aware that the Authority's cash resources are pooled with those of LB Camden and that LB Camden undertakes treasury management activities on the Authority's behalf. Camden has adopted this code and its treasury

management policies and procedures conform to the Code's requirements. I am satisfied that through the arrangement that the Authority has with LB Camden that treasury management activities undertaken on behalf of the Authority also meet the requirements of this Code.

6.4. Indicators for capital expenditure, external debt and treasury management

6.4.1. In 2017/18, the Authority purchased a strip of land and a pumping station to the North of the EcoPark at Deephams Farm Road. In addition, initial works commenced to install a power supply. Planned capital expenditure for 2018/19 to 2020/21 is as follows:

- 6.4.1.1. Purchase of the Western Road RRC.
- 6.4.1.2. Acquisition of lease for EcoPark land.
- 6.4.1.3. Commencement of preliminary works to construct the Resource Recovery Facility and EcoPark House at the Edmonton EcoPark.
- 6.4.1.4. Possible acquisition of a RRC site should the opportunity arise and refurbishment works at existing sites.

6.4.2. Accordingly, the following estimated capital expenditure is recommended:-

Capital Expenditure					
	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£3m	£44m	£30m	£44m	£33m

6.4.3. The next two Prudential Indicators (PI's) govern the Authority's ability to borrow funds in the money markets or from the Public Works Loans Board. They must be set at a level that allows sufficient headroom for the capital programme to be achieved. The following authorised limits for external debt are recommended for approval: -

Authorised Limit for External Debt					
	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Borrowing	£100m	£150m	£200m	£200m	£200m
Other long term liabilities	Nil	£1m	£1m	£1m	£1m

6.4.4. The following operational boundaries for external debt are recommended for approval:-

Operating Boundary for External Debt					
	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
Borrowing	£100m	£150m	£200m	£200m	£200m
Other long term liabilities	Nil	£1m	£1m	£1m	£1m

6.4.5. The following prudential indicators are relevant for setting a treasury management strategy. The Authority has currently only taken fixed interest loans but the indicators are set at a level that will enable the Authority to

react to changing circumstances that may favour the use of variable rate loans.

Net Principal re. Fixed Rate Borrowings					
	2017/18 Actual	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate
	£60m	£150m	£200m	£200m	£200m

Net Principal re. Variable Rate Borrowings					
	2016/17 Actual	2017/18 Estimate	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	Nil	£150m	£200m	£200m	£200m

6.4.6. 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 2019/20. Given the Authority's particular investment needs, the limits provide maximum flexibility for short-term borrowing.

Maturity structure of fixed rate borrowing during 2018/19	Upper Limit %	Lower Limit %	Current %
Under 12 months	50	0	0
12 months and within 24 months	100	0	20
24 months and within 5 years	100	0	10
5 years and within 10 years	100	0	30
10 years and above	100	0	0

6.4.7. The indicators will be kept under review.

7. MINIMUM REVENUE PROVISION

7.1. The Authority is required to set aside a sum from revenue each year for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). Regulations require that the sum set aside is prudent and associated guidance provides a number of methodologies that local authorities can adopt. Whichever method an authority chooses, the regulations require that it be formally adopted each year. For 2019/20, the Authority is recommended to adopt a method that makes provision in equal instalments over the estimated life of the asset concerned. This is unchanged from the methodology adopted for 2018/19.

8. ADVICE ON RESERVES AND BALANCES AND ROBUSTNESS OF THE BUDGET PROCESS

8.1. Advice is usually provided at this time 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:

8.1.1. The adequacy of the proposed reserves

8.1.2. The robustness of the budget

- 8.2. 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.
- 8.3. 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 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.
- 8.4. Taking account of the issues raised above, and the proposed retention of revenue balances, the Authority's budget estimates (including contingencies) are sufficiently robust to deal with the current risks and uncertainties facing the Authority. Future budgets will need to be considered on merit and where necessary, strengthened in a period of greater instability.

9. CONCLUSION

- 9.1. The detailed budgets are soundly based and allow for the inclusion of prudent levels of contingency in both the 2018/19 revised budget and the 2019/20 draft budget. The budgets as set out in this report should be sufficiently robust to meet the Authority's expenditure requirements over this period.
- 9.2. The Authority is forecast to have surplus balances of £5.377m at 31 March 2019. The reasons for this position are set out in this report. The report to the December meeting stated that it was likely that there would be an increase of 14.56% in the levy for 2019/20. Since then, Authority officers have reviewed underpinning assumptions and have liaised with the Members' Finance Working Group and borough Directors of Finance. Both groups were content with the proposed approach and the 2019/20 proposed budget reflects this approach. Members will be advised of progress against the budget in regular budget review reports to the Authority.
- 9.3. The Authority is in a position to agree the 2019/20 levy at £53.182m (comprising a base levy element of £48.350m and an RRC element of £4.832m). In total, this represents an increase of 9.63% compared with the 2018/19 levy.

10. COMMENTS OF THE LEGAL ADVISER

- 10.1. The Authority may in accordance with Regulation 3(1) of the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, issue levies on its constituent councils to meet all liabilities falling to be discharged by it for which no provision is otherwise made.
- 10.2. The amount to be levied by the Authority in respect of any financial year from each of its constituent councils is determined in accordance with Regulation 4 by apportioning the total amount to be levied either in such proportions as all the

constituent councils may agree or in absence of such agreement, by a combination of:

- 10.2.1. Apportioning costs in proportion to the tonnage of household waste delivered by each of council; and
 - 10.2.2. For non-household waste and other costs, apportioning costs on the basis of the council tax base.
- 10.3. All the constituent councils have agreed through the Inter Authority Agreement entered into in 2015 that alternative levy apportionment arrangements will apply from 2015/16 and the menu pricing arrangements referred to above are set out in that Inter Authority Agreement. This meets the requirements of the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006.
- 10.4. The capital requirement for the North London Heat and Power Project in 2019/29 in this budget reflects the value and timing of preparatory contracts due to be let during the financial year. The requirement is profiled on the basis of 50% borrowing at the start of the year and 50% half way through the year. As this is done on a time basis, designed to meet the anticipated outgoings on a cash flow basis, the borrowing profile does not provide for borrowing the contract amount at the start of the contract. This has the effect of reducing the borrowing support requirement, and thus has a beneficial impact on the levy raised from the Constituent Boroughs. The Head of Finance has assessed that this will provide sufficient cash to meet the Authority's obligations as they arise. As the legal obligation to pay under a construction contract arises when the contract is let (subject to performance) there is a risk that in the event of a change in the profile of cash requirement, or unexpected difficulties in raising funding, there will be insufficient or more costly cash requirements. This approach to risk will be reviewed annually, in particular with regard to the larger construction contracts as they are programmed.

List of documents used:

Report to the Authority 8 February 2018 – Revenue Budget and Levy 2018/19

Report to the Authority 21 June 2018 – 2017/18 Revenue and Capital Budgets Final Outturn and 2018/19 First Budget Review

Report to the Authority 4 October 2018 – 2018/19 Second Budget Review

Report to the Authority 6 December 2018 – 2018/19 Third Budget Review and 2019/20 Budget Forecast

2018/19 budgetary control and 2019/20 budget working papers

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APPENDIX A: 2018/19 FORECAST OUTTURN AND FORECAST BALANCES

Table 1 below provides a summary of the current financial position against budget and with a comparison to the third and fourth reviews:

Table A1	2018/19 Original Budget £'000	2018/19 Third Review £'000	2018/19 Fourth Review £'000	Variance £'000
Expenditure				
Main Waste Disposal Contract (ex RRC Waste)	35,457	35,162	34,619	(543)
Landfill Tax	1,822	1,497	1,497	0
Composting Services	2,546	1,819	1,665	(154)
MRF Services	7,310	7,301	7,138	(163)
Transfer Station and Other Sites	1,520	1,596	1,447	(149)
Corporate and Other Support Service Costs	2,836	2,461	2,463	2
Strategy and Services Team	522	447	524	77
Waste Prevention Programme – New Initiatives	480	480	480	0
Joint Communications Initiative	305	305	305	0
Recycling Initiatives	235	235	189	(46)
North London Heat & Power Project	2,500	2,896	2,896	0
Revenue Funding – Capital Programme	7,026	6,848	6,854	6
	62,559	61,047	60,077	(970)
Resuse and Recycling Centres				
Residual Waste	1,102	894	909	15
Landfill Tax	162	122	124	2
Operating Costs	3,332	3,679	3,595	(84)
	4,596	4,695	4,628	(67)
Total Expenditure	67,155	65,742	64,705	(1,037)
Income				
Rents	(115)	(115)	(115)	0
Sale of Recyclates	(2,537)	(1,578)	(1,510)	68
Other Income	0	(5)	(5)	0
Interest on Balances	(40)	(40)	(40)	0
	(2,692)	(1,738)	(1,670)	68
Net Expenditure	64,463	64,004	63,035	(969)
Contingency	2,289	2,289	2,289	0
Total Net Expenditure	66,752	66,293	65,324	(969)
Financed by:				
Use of Balances	(8,019)	(11,962)	(11,962)	0
Charges to Boroughs (non-household waste)	(8,510)	(8,600)	(8,502)	98
Charges to Boroughs (household waste)	(1,712)	(1,739)	(1,726)	13
Levy – Base Element	(44,414)	(44,414)	(44,414)	0
Levy - RRC Element	(4,097)	(4,097)	(4,097)	0
Total Levy	(48,511)	(48,511)	(48,511)	0
Total Resources Available	(66,752)	(70,812)	(70,701)	111
Estimated Revenue Balance at 31 March 2019	0	(4,519)	(5,377)	(858)

Re-use and Recycling Centre (RRCs) Balances:

Under the menu price based levy the net costs of operating each RRC is attributed to boroughs in accordance with a visitor survey. Under or over spends continue to be attributable to individual sites and are carried forward to the levy calculation in the following year so the net cost to each borough in any year also reflects the changes in its balance position.

In setting the budget and levy for 2018/19, the Authority estimated that it would have balances of £0.356m to offset the cost of RRCs in 2017/18. The 2017/18 outturn produced balances at 31 March 2018 of £0.220m, a decrease of £0.136m.

The Authority's purchase of the Western Road RRC is not expected to take place until late 2019/20 at the earliest.

Table A2 below provides a summary of the current financial position for each borough:

Table A2	Change in RRC Balances at 1 April 2018 (As reported in June)	Total Operating Costs – 2018/19 Original Budget	Total Operating Costs - 2018/19 Fourth Review	Change in 2018/19 Total Operating Costs	Estimated RRC Balances at 31 March 2019 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	75	1,180	1,161	(19)	56
Camden	(31)	551	500	(51)	(82)
Enfield*	4	32	33	1	5
Hackney	9	265	277	12	21
Haringey	0	228	290	62	62
Islington	19	779	788	9	28
Waltham Forest	60	1,061	1,202	141	201
Total	136	4,096	4,251	155	291

* The Authority does not manage Enfield's RRC; the cost of disposing of this site's residual waste is included in Enfield's base levy.

RRC balances of £0.291m owed to the Authority will be taken into account in calculating the RRC element of the 2019/20 levy.

Base Levy Balances at 31 March 2019

The menu price based levy requires the Authority to attribute all of its costs to the boroughs and to hold borough specific balances. A positive balance for a borough can be used to support a future year's levy but if negative will be recovered through an addition to the levy. The following table sets out the forecast balance position excluding RRCs. It should be noted the costs in columns 2 and 3 are those that are attributable to the levy; they do not

include the costs of processing non household and chargeable household waste. The 2018/19 levy included estimated balances of £4.868m which enabled the Authority to set a base levy of £44.414m. Since the levy is fixed for the year, the additional balances arising from the 2017/18 outturn feed into the estimated balance at 31 March 2019 and can be taken into account together with any in-year savings when the Authority determines its 2019/20 levy.

Table A3	Additional balance at 1 April 2018 (reported In June)	2018/19 Budget Levy Costs	2018/19 Levy Costs - Fourth Review	Forecast Change in 2018/19 Levy Costs	Estimated Balance at 31 March 2019 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(901)	9,859	9,213	(646)	(1,547)
Camden	(624)	4,611	4,410	(201)	(825)
Enfield	(488)	6,485	6,464	(21)	(509)
Hackney	(632)	6,500	6,145	(355)	(987)
Haringey	(463)	5,527	5,476	(51)	(514)
Islington	(532)	5,014	4,749	(265)	(797)
Waltham Forest	(439)	6,418	6,368	(50)	(489)
Total	(4,079)	44,414	42,825	(1,589)	(5,668)

Charges to Boroughs for Non-Household Waste:

Although charges for non-household waste must be separate from the levy, the calculation methodology for these charges is set out in the provisions of the menu price based levy.

Forecast charges to boroughs for the disposal of non-household waste in 2018/19 compared with the original budget assumptions are shown in the table below: -

Table A4	2018/19 Budget	2018/19 Fourth Review	Variance
	£'000	£'000	£'000
Barnet	947	924	(23)
Camden*	2,191	2,216	25
Enfield	771	792	21
Hackney*	1,752	1,774	22
Haringey *	316	284	(32)
Islington *	2,394	2,404	10
Waltham Forest	139	108	(31)
Total	8,510	8,502	(8)

* Including income from non-household recyclable wastes.

Charges to Boroughs for Chargeable Household Waste:

Forecast charges to Boroughs for the disposal of Chargeable household waste in 2018/19 compared with the original budget assumptions are shown in the table below

Table A5	2018/19 Budget	2018/19 Fourth Review	Variance
	£'000	£'000	£'000
Barnet	189	189	0
Camden*	383	444	61
Enfield	119	119	0
Hackney*	513	506	(7)
Haringey *	233	225	(8)
Islington *	275	243	(32)
Waltham Forest	0	0	0
Total	1,712	1,726	14

APPENDIX B: 2019/20 BUDGET FORECAST OF LEVY & CHARGES

Table B1 below provides a summary of the 2019/20 budget forecast:

Table B1	2018/19 Budget £'000	2019/20 Draft Budget £'000	Variance £'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	35,457	36,961	1,504
Landfill Tax	1,822	1,568	(254)
Biodegradable Waste Services	2,546	1,922	(624)
MRF Services	7,310	7,837	527
Transfer Station and Other Sites	1,520	1,681	161
Corporate and Other Support Service Costs	2,836	2,651	(185)
Strategy and Services Team	522	621	99
Waste Prevention Programme	480	500	20
Joint Communications Initiative	305	83	(222)
Recycling Initiatives	235	239	4
North London Heat and Power Project	2,500	1,615	(885)
Revenue Funding – Capital Programme	7,026	8,930	1,904
	62,559	64,608	2,049
Reuse and Recycling Centre Expenditure			
RRC Residual Waste	1,102	935	(167)
RRC Landfill Tax	162	127	(35)
RRC Operations	3,332	3,479	147
Revenue Funding – Capital Programme	0	0	0
	4,596	4,541	(55)
Total Expenditure	67,155	69,149	1,994
Income			
Rents	(115)	(119)	(4)
Sale of Recyclates	(2,537)	(2,221)	316
Interest on Balances	(40)	(40)	0
	(2,692)	(2,380)	312
Net Expenditure	64,463	66,769	2,306
Contingency	2,289	2,735	446
Total Net Expenditure	66,752	69,504	2,752
Financed by:			
Use of Balances	(8,019)	(5,377)	2,642
Charges to Boroughs (Non-household waste)	(8,510)	(9,111)	(601)
Charges to Boroughs (Chargeable household waste)	(1,712)	(1,834)	(122)
Estimated Levy – Base Element	(44,414)	(48,350)	(3,936)
Estimated Levy – RRC Element	(4,097)	(4,832)	(735)
Total Estimated Levy	(48,511)	(53,182)	(4,671)
Total Estimated Resource Requirement	(66,752)	(69,504)	(2,752)

Re-use and Recycling Centre Levy

The amounts charged to the relevant boroughs through the 2019/20 levy allow for the balances that arose from the closure of the 2017/18 accounts and forecast additional balances from 2018/19.

Table B2	Forecast balances at 1 April 2019 £'000	2019/20 Estimated costs £'000	2019/20 Estimated Levy £'000
Barnet	56	1,177	1,233
Camden	(82)	473	391
Enfield	5	34	39
Hackney	21	236	257
Haringey	62	638	700
Islington	28	738	766
Waltham Forest	201	1,245	1,446
Total	291	4,541	4,832

Base Levy

The amounts charged to the relevant boroughs through the 2019/20 base levy allow for the additional balances that arose from the closure of the 2017/18 accounts and forecast additional balances from 2018/19.

Table B3	Forecast balances at 1 April 2019 £'000	2019/20 Estimated Levy Requirement £'000	2019/20 Estimated Levy £'000
Barnet	(1,547)	10,686	9,139
Camden	(825)	5,988	5,163
Enfield	(509)	7,605	7,096
Hackney	(987)	7,728	6,741
Haringey	(514)	7,835	7,321
Islington	(797)	6,017	5,220
Waltham Forest	(489)	8,159	7,670
Total	(5,668)	54,018	48,350

Non-household Waste Charges

The cost to boroughs in 2019/20 is estimated to be: -

Table B4	2019/20 Estimated Tonnes	2019/20 Estimated Cost (£)
Barnet*	11,929	1,044
Camden*	27,928	2,352
Enfield	9,635	857
Hackney*	22,648	1,880
Haringey *	3,546	302
Islington *	29,869	2,561
Waltham Forest	1,296	115
Total	106,851	9,111

* Including tonnages and income from non-household recyclable wastes.

The final charges will be calculated as part of the 2018/19 final accounts process and reported to the Authority in June 2019. Any under or over payment by boroughs will be collected from or repaid to boroughs at the conclusion of the final accounts process.

Chargeable Household Waste

The cost to boroughs in 2019/20 is estimated to be:

Table B5	2019/20 Estimated Tonnes	2019/20 Estimated Cost (£)
Barnet	2,280	203
Camden*	5,522	472
Enfield	1,431	127
Hackney*	6,619	537
Haringey*	2,882	238
Islington*	3,550	257
Waltham Forest	0	0
Total	22,284	1,834

* Including tonnages and income from non-household recyclable wastes.

Waltham Forest has indicated that it does not collect such waste.

Arrangements for the settling of over or under payments by the boroughs are the same as for non-household waste

APPENDIX C: MEDIUM TERM BUDGET FORECAST FOR 2020/21 TO 2022/23

	2020/21 Budget Forecast £'000	2021/22 Budget Forecast £'000	2022/23 Budget Forecast £'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	37,375	38,337	39,338
Landfill Tax	1,607	1,647	1,688
Biodegradable Waste Services	1,971	2,020	2,071
MRF Services	8,036	8,238	8,443
Transfer Station and Other Sites	1,762	1,794	1,826
Corporate and Other Support Service Costs	2,812	2,882	2,954
Operations Team	575	590	604
Waste Prevention Programme	512	525	539
Joint Communications Initiative	0	0	0
Recycling Initiatives	246	253	261
North London Heat and Power Project	1,656	1,697	1,740
Revenue Funding – Capital Programme	10,019	11,009	29,793
	66,571	68,992	89,257
Reuse and Recycling Centre Expenditure			
RRC Residual Waste	958	982	1,006
RRC Landfill Tax	131	134	137
RRC Operations	3,565	3,655	3,746
Revenue Funding – Capital Programme	266	267	267
	4,920	5,038	5,156
Less			
Income			
Rents	(122)	(125)	(128)
Sale of Recyclates	(3,399)	(3,399)	(3,399)
Interest on Balances	(40)	(40)	(40)
	(3,561)	(3,564)	(3,567)
Net Expenditure	67,930	70,466	90,846
Contingency	2,359	2,409	2,816
Total Net Expenditure	70,289	72,875	93,662
Percentage change in net expenditure	1.13%	3.68%	28.52%
Financed by:			
Use of Balances	0	0	0
Charges to Boroughs (Non-household waste)	(9,292)	(9,658)	(13,012)
Charges to Boroughs (Chargeable household waste)	(1,864)	(1,936)	(2,590)
Estimated Levy – RRC Element	(4,920)	(5,037)	(5,156)
Estimated Levy – Base Element	(54,213)	(56,244)	(72,904)
Total Estimated Levy	(59,133)	(61,281)	(78,060)
Total Estimated Resource Requirement	(70,289)	(72,875)	(93,662)
Percentage Increase in the Levy	11.19%	3.63%	27.38%