

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: FINANCE UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 30 JULY 2024

SUMMARY OF REPORT:

This report provides details of expenditure and income for 2023/24, briefly comments on the current financial position for 2024/25 and discusses risks and opportunities that might arise in the medium-term.

In addition, the report considers the impacts on balances held on the behalf of boroughs that will be returned in future levies and the balances owed to boroughs for chargeable waste and non-household waste, which will be returned once the audit of the financial statements is completed.

The report also provides an update on the audits of the Authority's financial statements.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Note the completion of the 2021/22 audit; and
- B. Note the review of the 2023/24 financial outturn and plans for updated assessments of the financial position for 2024/25 and future years

SIGNED: John Rowney, Financial Adviser

DATE: 18 July 2024

1. EXECUTIVE SUMMARY

Overview

- 1.1. At its meeting on 8 February 2024, the Authority was provided with an up-to-date assessment of its financial position. This included a forecast of the 2023/24 outturn and provided guidance on the level of surplus resources available to assist with the funding of the 2024/25 budget.
- 1.2. The accounts for 2023/24 are now closed and therefore the main purpose of this report is to provide details of the outturn, which subject to audit was £68.816m. This paper also provides details of the 2024/25 forecast outturn, indicative details of the medium term forecast, an update on borrowing for the North London Heat & Power Project (NLHPP) and an update on the audit of the Authority's statutory accounts.

2023/24 Outturn

- 1.3. **Financial Outturn:** The net expenditure outturn for 2023/24 was £68.816m, an underspend of £10.570m compared to the budget, where around half of the underspend was attributed to the delayed delivery of EcoPark South facilities. Since the February forecast, there has been a £2.067m underspend. This positive variance was primarily driven by additional income earned on our balances, deferred recognition of interest payable on borrowing for EcoPark South assets until the facilities had opened and savings on the Main Waste Contract as a result of dealing with more waste in-house, as opposed to using third-party contractors.
- 1.4. **Waste Tonnage:** In 2023/24, the Authority's waste tonnages were slightly lower than budgeted, but some waste streams increased year on year :
 - 1.4.1. The Authority received more tonnes of residual waste compared to the previous year. Excluding waste delivered by the public to reuse and recycling centres, 550,144 tonnes of residual waste were received by the Authority, an increase of 7,369 tonnes (1.4%) compared to 2022/23. This was however 204 tonnes (0.04%) lower than the budget for the year.
 - 1.4.2. Organic waste of 57,459 tonnes received was 17,103 tonnes greater (42%) than in 2022/23 due the London Borough of Enfield using the Authority's contracts. This was 3,493 (5.7%) fewer tonnes than was budgeted.
 - 1.4.3. Mixed Dry Recycling processed was 124,414 tonnes, a reduction in tonnage of 1,072 tonnes (0.9%) compared to 2022/23. Compared to the budget, 7,267 fewer tonnes (5.8%) were received.

Borough Balances at 31 March 2023

- 1.5. The revenue balance at the end of the financial year stood at £10.570m. This was £1.740m greater than was reported in February. This difference is available to support the 2025/26 levy. This is much closer to forecast than in 2022/23, where an additional £4.682m was available. This is partly due to the release of the contingency at the year end in 2022/23. The contingency for 2023/24 was released in February 2024. This was part of providing additional support to LEL, where LEL have experienced challenges operating the aged facility, adverse market outlook in the insurance market and general impacts of inflation. This will be an ongoing challenge until the new Energy Recovery Facility is built.
- 1.6. Members approved the creation of a reserve in February 2024. This reserve is to be used for maintenance of the new facilities created through the NLHPP. It also allows the Authority to manage pressures in the medium term with LondonEnergy so that it can effectively plan to fund the maintenance required to keep the existing facilities running until the new facilities are built. Ahead of the new plant opening, the maintenance reserve allows the Authority to use interest on cash balances to offset LEL maintenance related pressures. This means that interest on cash balances relating to NLHPP will not be in scope for balances that are credited back to boroughs in the following year. From 2023/24, £3.9m has been included in the maintenance reserve.

2024/25 Financial Outturn

- 1.7. At this early stage in the year, forecasts are indicative. The budget reflected challenges that have been reported to previous Authority meetings, such as issues with processing capacity at the existing Energy from Waste plant at Edmonton. It is over 50 years old and the amount of waste that can be treated at the facility is slowly decreasing as a result of the need for increased planned maintenance and more unplanned outages. However, a full review of the forecast will be completed over the summer and reported to the Authority in the autumn.
- 1.8. Based on the 2023/24 outturn, as mentioned above in paragraph 5, there are balances available to reduce the 2025/26 levy by £1.740m.

Medium-Term Forecast

- 1.9. Officers have been working to identify risks and opportunities that could affect the medium-term forecast that was included in the February 2024 paper. Potential pressures have been identified that reflect officers' understanding of the challenges that are inherent in running an ageing plant and also include both the costs and income opportunities relating to legislative changes such as the Emissions Trading Scheme and Enhanced Producer Responsibility. These have been discussed with borough finance directors and shared with the Member Finance Working Group.

Further work will be undertaken over the summer and relevant risks and opportunities will be included in the update to the forecast for the September Authority meeting. This is explored in further detail in section 5.

NLHPP Outturn update

- 1.10. The NLHPP outturn forecast is included in section 6. Since the Acciona contract to build the Energy Recovery Facility was signed in 2021, the economic outlook has been challenging with the 'cost of living crisis' caused by a spike in inflation and rising interest rates. This is an issue that is affecting the construction industry generally and it is not just an issue for this project.
- 1.11. The NLHPP Update paper elsewhere on this agenda details the challenges that Acciona, who are constructing the Energy Recovery Facility, are facing. Officers are working with the company to review these pressures and ensure that solutions are identified and implemented. Members will be briefed on progress through the Working Groups and further information will be reported to the Authority Meeting in September
- 1.12. The project team conduct regular financial reviews and the Authority's Financial Adviser conducts regular 'deep dives' to look at various financial aspects of the project to ensure that reporting is on track and that issues are being raised.
- 1.13. In July 2024, the Authority borrowed a further £140m for the NLHPP at 5.32%. This brings borrowing for the project to £1,110m at an average interest rate of 2.78%. In addition, £10m related to the purchase of shares in LondonEnergy Ltd was repaid. The latter was funded by the Minimum Revenue Provision put aside over the past few years.

Audits

- 1.14. The Audit Committee met on 27 April to approve the 2021/22 financial statements. The audit is now completed, and the auditor has issued the Auditors' Annual Report. This is attached as Appendix B.
- 1.15. A plan is in place to undertake the audit of the 2022/23 financial statements with the aim of completing this by the end of September 2023. The draft statements will be published shortly.

2. 2023/24 FINANCIAL OUTTURN

- 2.1. The accounts for 2023/24 are now closed. The figures presented in this paper are draft figures, as they are subject to potential adjustments following the audit of the financial statements.

- 2.2. At the meeting on 9 February 2023, the Authority approved a budget for 2023/24 of £74.871m which included one-off income from LondonEnergy of £10.000m due to high electricity prices. This income was passed to boroughs as a one-off rebate to the levy.
- 2.3. At the Authority meeting on 8 February 2024, an updated expenditure forecast was presented of £70.883m. This lower forecast expenditure, coupled with the fixed levy income, was expected to result in an expected balance of £8.830m, which would be available at 31 March 2024 to support the 2024/25 levy.
- 2.4. As at 31 March 2024, the total net expenditure incurred was £68.816m. After taking into account movement in charges for chargeable household and non-household waste, balances carried forward increased to £10.570m. The balance in the February Authority report has already been accounted for when calculating the levy for 2024/25; however, the increased balance of £1.740m can be used to reduce the 2025/26 levy.
- 2.5. The net expenditure outturn is (£2.067m) underspent against the February full year forecast. Variances to explain the movement from the February forecast to the outturn are included in Appendix A.
- 2.6. All waste tonnages have been lower than were budgeted this time last year. While the effects of the COVID-19 pandemic and cost of living crisis have made trends hard to identify over the past few years, tonnages increased this year following a sharp reduction in 2022/23. Residual waste compared with 2022/23 has increased by 7,369 tonnes, or 1.4%. Compared with the budget for 2023/24, the forecast tonnage is lower by 0.04% or 204 tonnes.
- 2.7. A detailed breakdown for the tonnage by type and borough can be found in Appendix A.
- 2.8. The key variances to the budget are as below. Key variances to the February forecast are included in Appendix A:
 - 2.8.1. **Main Waste Disposal Contract (excluding Reuse and Recycling Centre (RRC) Waste):** (-£0.681m) The forecast assumed a higher percentage of our waste would be transferred to more expensive third-party contractors than was actually incurred. A higher proportion of waste was dealt with at the EcoPark leading to the cost saving.
 - 2.8.2. **LondonEnergy Ltd (LEL) Additional Support:** (+£6.552m) As reported to the Authority Meeting in February 2024, £9.000m of financial assistance has been provided to LEL to manage cost increases driven by the age and condition of the existing Energy from Waste facility. This was funded by the release of contingency (£2.448m) and recognising interest received on cash balances held by the Authority.

- 2.8.3. **Corporate and Other Support Service Costs:** (-£0.254m) Underspent due to staff vacancies and rephasing of the budget for the joint waste strategy in to 2024/25.
- 2.8.4. **Carbon Capture & Storage:** (+£0.329m) spend on phase 1 of the feasibility was brought forward from 2024/25. The Overall programme cost is unchanged.
- 2.8.5. **Revenue Funding – Capital Programme:** (-£4.697m) Underspend relating to the deferment of the recognition of interest on borrowing costs and Minimum Revenue Provision (MRP) until EcoPark South assets are brought into use. During the construction and commissioning period, these interest charges are being capitalised. These will be recognised from April 2024, when the Resource Recovery Facility began receiving borough waste and recycling. The MRP is not included until the financial year after the assets are brought into use. Therefore these charges are deferred until 2025/26.
- 2.8.6. **Interest on Balances:** (+£7.509m) Income from interest on cash balances is now being recognised in year (£6.552m), rather than being used to offset NLHPP costs. Much of this cost has been used to provide support to LEL as mentioned in paragraph 2.8.2 above. In addition to this the Authority has also received higher rates of interest than it budgeted for on its operating balances and an Additional £0.958m has been received. A further £3.9m interest has been received on cash borrowed for NLHPP. In February, Members agreed to create a maintenance reserve to support facilities once they open and also to support the existing plant in the interim, if necessary. This £3.9m has been added to the reserve.
- 2.8.7. **Contingency:** (£0.000m) The contingency was released in February to be used to provide additional support to LEL.
- 2.9. Charges to boroughs for non-household and chargeable household waste were lower than budgeted by £0.655m and £0.271m respectively due to a combination of lower tonnages delivered and savings on net expenditure. Tables A7 and A8 in appendix A detail the amount owed to or owed by boroughs. Six boroughs are due a refund from the Authority, however Camden will receive an additional charge for the additional tonnage compared to the budgeted tonnage, that it delivered to the Authority.

3. BOROUGH BALANCES AT 31 MARCH 2024

- 3.1. The menu price-based levy requires the Authority to apportion all of its costs to the boroughs based on the types of waste and the tonnage delivered by each borough and to hold borough specific balances.

- 3.2. These balances have now been updated based on the 2023/24 outturn position. The table below presents the current balances due or owing to each borough.
- 3.3. A negative balance in the table below represents a balance owed to a borough that can be used to support a future year's levy, but a positive figure is a balance to be recovered through an addition to the levy. Every borough has a negative balance which means that they will all benefit from a carry forward which will help to reduce the 2025/26 levy.
- 3.4. The underspend of £2.067m is apportioned between the levy and charges. £0.327m is allocated to chargeable household and non-household waste, leaving £1.740m to be apportioned to the levy.
- 3.5. Table 1 below shows the draft year end 2023/24 position for each borough's levy for Household Waste disposal. Figures should be considered draft until audited.

Table 1: Draft Year End 2023/24 Position

	Balances Available £000s
Barnet	-375
Camden	-261
Enfield	-426
Hackney	-130
Haringey	-216
Islington	-62
Waltham Forest	-270
	<u>-1,740</u>

4. 2024/25 FORECAST

- 4.1. At its meeting on 8 February 2024 the Authority agreed the 2024/25 net expenditure budget of £93.876m. After taking into account balances of £8.830m, the levy was set at £72.866m along with non-household waste charges of £10.253m and chargeable household waste of £1.925m.
- 4.2. At this stage of the financial year, it is too early to draw any firm indications about the waste stream for the full year, with only one month of data available at the point that this report was written. This applies equally to other tonnage-based areas of the budget. Unlike previous years, no work has been carried over and therefore no budgets have been brought forward into 2024/25.
- 4.3. The Resource Recovery Facility received the first borough waste in April and this is considered the point that the plant was brought into use. The Reuse and Recycling

Centre was brought into use on 15 July. An estimate of the running costs for both these facilities as well as EcoPark house (which is expected to open in the autumn), have been incorporated into the 2024/25 budget. The approach taken to efficiently manage costs with LEL includes a 'cost plus' mechanism for the first year of operations. This means that a set of assumed costs have been agreed with LEL, with a review taking place in the second half of the financial year between NLWA and LEL to establish the true recurrent cost of running these facilities.

- 4.4. Following establishment of the future recurrent cost of the operating of these facilities, officers will consult constituent boroughs affected on how to apportion the costs in line with the Inter-Authority Agreement, that was agreed in 2016.
- 4.5. A greater appreciation of any trends that may be developing should become apparent when data is available for the four-month period to the end of July which will be reported to the September Authority meeting.

5. MEDIUM TERM FORECAST AND THE WIDER OPERATING ENVIRONMENT

Background

- 5.1. The NLWA, and its seven constituent boroughs, continues to operate in a financially challenging environment. The uncertain economic climate and the prolonged period of austerity have significantly undermined the financial resilience and sustainability of local government. As an authority where the majority of our funding comes from our member councils, we recognise the responsibility to ensure that the levy, and associated charges, represent value for money and that the Authority continues to provide a service of the highest quality to the citizens and communities that we serve.
- 5.2. At the same time, we are planning for our future through the investment in the NLHPP. As the sole shareholder of LEL, the Authority—and the seven north London boroughs it represents—enjoys enhanced control over the waste market. This control has, historically, offered more competitive prices compared to other waste authorities in London, which operate under a client-supplier model with their contractors. LEL's operation of an Energy from Waste (EfW) facility has been central to transforming waste into energy, a strategy that is environmentally preferable to landfill. However, the existing EfW facility, over 50 years old, is experiencing increased unplanned maintenance and decreased operational efficiency, underscoring the need for modernization. While this investment is vital, it nonetheless comes with significant financial impact and risk, requiring careful planning over the coming years.

Medium-Term Outlook

- 5.3. As part of our approach to strong financial management, we continue to make an assessment of our future levels of income and expenditure over the medium term

and what this may mean for our member councils. This assessment seeks to understand future financial opportunities, challenges and risks. Given the uncertain economic, political and fiscal climate, this assessment is based on a series of estimates and assumptions that will change and be refined over time.

5.4. At the planned meeting of the Member Finance Working Group on 24 July, Members are expected to discuss the wider operating environment and the issues and opportunities that are not included in the forecast due to the uncertainties that surround them. There are a range of factors that require further consideration, including:

- 5.4.1. **Inflation:** Given the economic turbulence of the last 18 months, inflation remains a significant concern. Recent inflation peaks exceeding double digits and subsequent sharp interest rate increases have significantly impacted the Authority and other UK organisations. Prior to the Covid-19 pandemic, Brexit, and the war in Ukraine, the Authority anticipated consistent and low inflation levels as projected by the Bank of England. The recent high inflationary environment has impacted significantly on borrowing and associated capital financing costs while also delivering higher than anticipated returns on our cash balances.
- 5.4.2. **Legislative Reform:** There remain significant sector-wide uncertainties driven by potentially new central government waste reforms. While there may well be opportunities, initiatives such as the Deposit Return Schemes, Extended Producer Responsibility (EPR), Emissions Trading Scheme (ETS), and Simpler Recycling will likely introduce further cost and financial burden onto the authority with ETS and EPR likely to have the most impact. Authority officers are continuing to work in collaboration with external stakeholders to lobby on the side of affordability and practicality on these changes.
- 5.4.3. **Preserving Business Continuity:** Despite an inflation-adjusted contract with LEL, the gate fee has remained unchanged for a decade. The current fee fails to account for increased unplanned maintenance costs and reduced electricity revenue from decreased waste disposal. To address this, the Authority has approved a short-term maintenance improvement program for the existing facility to ensure continued operation until the new Energy Recovery Facility (ERF) from the NLHPP is operational. Without this investment, the Authority's value-for-money obligations would be at risk.
- 5.4.4. **Operating Costs:** Beyond direct inflation, the Authority faces wider pressure on the costs of its operations. For example, insurance costs for waste facilities have surged, with increases around 500% for some authorities. In response, the Authority is exploring future insurance

strategies and has tapered down insurance for the existing facility during the transition to the new ERF. The Authority’s second-largest revenue contract, with Biffa for recycling services, is also up for renewal in December 2025. It is unlikely that any contract renewal will see costs held at the current price point and we are currently exploring our strategy on this.

- 5.4.5. **Revenue Impact of Capital Investment:** As the NHLPP progresses and the site becomes increasingly operational, the associated capital financing costs will begin to feed into the revenue budget. The Authority's capital financing policy mandates the buildup of the Minimum Revenue Provision (MRP) a year after each new NLHPP facility becomes operational. Delays in the ERF's completion will postpone the MRP buildup, but the Authority remains confident that MRP will not need to be accumulated for the ERF costs within the medium-term forecast.

Our Approach

- 5.5. As our financial forecasts are developed and refined, we propose to share a series of updates throughout the year. Consistent with our approach to date, this will be in an open and transparent manner and we will invite scrutiny and challenge in the spirit of partnership working. The following dates set out some key milestones for the year with engagement planned around these:
 - 5.5.1. Publication of the line-by-line MTFs and 2024/25-year review: September 2024 Authority Meeting
 - 5.5.2. Assurance/challenge session with borough directors and members: October 2024
 - 5.5.3. Agree LEL 2025 budget and provide an updated MTFs and draft budget and levy for 2025/26: December 2024 Authority Meeting
 - 5.5.4. Agree NLWA 2025/26 budget: February 2025 Authority Meeting
- 5.6. These issues have been quantified and an early estimate indicates that the net expenditure for medium term forecast years might be as follows:

Table 3: Medium Term Forecast

	2025/26	2026/27	2027/28
Net Expenditure (£m)	112	129	127

- 5.7. Officers will continue to monitor these issues and capture them in the medium-term forecast as appropriate over the summer. This will be discussed with the

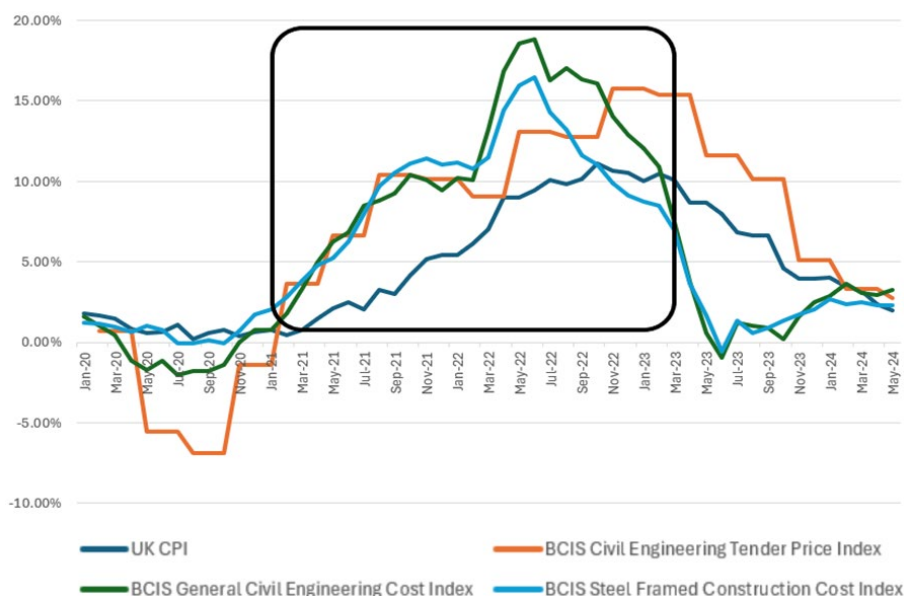
Member Finance Working Group and borough Directors of Finance in advance of updating the medium-term forecast for the Authority meeting in September.

- 5.8. By following this structured approach, officers aim to collectively ensure strong financial management and strategic planning for the Authority's future.

6. NORTH LONDON HEAT AND POWER PROJECT FINANCIALS

- 6.1. As reported in the North London Heat and Power Project Update, on this agenda, Acciona are showing signs of experiencing delays in the delivery of the ERF. As already mentioned in paragraph 5.4.1 in this report, inflation remains a significant concern. Inflation has had a significant impact to the construction industry with the global construction market experiencing volatility of commodities and labour pricing forces.
- 6.2. Construction materials prices are generally around 40% higher than early 2020 levels, after allowing for recent price falls. Shipping costs are also rising once again, with ongoing disruption to the Red Sea distribution route due to tension in the Middle East still a factor. Labour costs have continued to rise above inflation. The skills shortage has created a candidate-driven market that has made skilled labour significantly more expensive and is hampering the delivery of key national infrastructure projects.
- 6.3. Figure 4 on the following page compares Building Cost Information Survey (BCIS) construction-based inflation indices with CPI inflation. Inflation for construction related indices increased higher than CPI in 2020, 2021 and into 2023. Acciona is responsible for procuring the construction materials including steel and also labour. Large procurements took place in 2022 and 2023 which resulted in inflationary uplifts far in excess than record high CPI.
- 6.4. These cost pressures are affecting the resilience of supply chains. This applies both in terms of having to absorb the effects of these changes and in their willingness to take on future risks having experienced the volatility of the last few years.
- 6.5. Officers are considering how realistic risk share arrangements are with the supply chain in practice, and therefore what will be required to assure delivery of new facilities.

Figure 4: Construction Indices versus CPI



6.6. Current spend to date is £789.5m, with £1.314.1m of the real term forecast already committed. This reflects the value of work agreed in contracts – including construction works, advisors, Authority direct costs and third-party fees.

Table 5: Current Cost Position on the NLHPP

	Committed Cost £'m	Value of Work Done £'m	Cost to Complete £'m	Forecast total £'m
Base Cost	1,314.1	789.5	644.3	1,433.8
Risk Exposure	Included above	Included above	85.9	85.9
Total	1,314.1	789.5	730.2	1,519.7

6.7. Until officers are satisfied of the robustness of Acciona’s schedule and delivery plan, be caution must be applied to the certainty of the costs and contingency, although the figures above represent current best estimates. There will be an update on the complete finance position to members accordingly.

Borrowing

6.8. In July 2024, following a consultation with borough Directors of Finance, the Authority Chair and Vice-Chairs, the Authority has borrowed £140m from the Public Works Loan Board to support the NLHPP. This borrowing was taken at 5.32% for a period of forty-two and a half years. The consultation proposed that £280m should be borrowed, however as the General election was called, it was considered

prudent to borrow in advance. Advice was sought from Link and half of the borrowing was deferred until September after the next interest rates decision by the Bank of England, when interest rates are widely predicted to decrease.

6.9. This borrowing brings the total borrowed for the NLHPP to £1,110m. Although rates have risen, the Authority has taken advantage of lower interest rates in the past and the average rate of borrowing for the project stands at 2.78%. All interest rates have been fixed so that the Authority has certainty over its repayments.

6.10. Also in July, the Authority repaid £10m of historic borrowing relating to the purchase of the shares in LondonEnergy Ltd in 2010 which brought the company under the Authority's sole control. This repayment was funded by the Minimum Revenue Provision (MRP) that the Authority puts aside for the repayment of debt. £20m of historic debt remains and these loans will also be covered by the MRP as they fall due.

7. AUDITS

7.1. The Authority's accounts for the year ended March 2021 were approved by the Audit Committee at its meeting in April 2023. The Authority's Auditors, Mazars, have now completed the outstanding work related to the value for money outcome and issued their final audit opinion.

7.2. Mazars have issued the final report which is included as Appendix B to this report.

7.3. Work on the audit of the 2022/23 financial statements is planned to begin in July with the main audit taking place in September. It is hoped that the Audit Committee will be able to review the audited statements in the autumn.

8. CONCLUSION

8.1. This review indicates that the Authority's reserves at 31 March 2024 will have increased by £1.740m. This improvement strengthens the Authority's ability to manage its services within budget and accommodate potential budget pressures.

9. EQUALITIES IMPLICATIONS

9.1. Budgets and forecasts are considered an allocation of resources. Approval to spend is sought separately by officers. The equalities implications are considered as part of the spending approval.

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.

List of documents used:

Report to the Authority 08 February 2024 – Budget and Levy 2024/25
2023/24 final accounts Working Papers
2024/25 budgetary control working papers

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APPENDIX A: TABLES SUPPORTING THE 2023/24 OUTTURN

Table A1 2023/24 Outturn compared to the budget and February forecast

	2023/24 Original Budget £'000	2023/24 February Forecast £'000	2023/24 Draft Outturn £'000	Variance to February Forecast £'000	Variance to Budget £'000
Expenditure					
Main Waste Disposal Contract (ex RRC Waste)	43,858	43,826	43,177	(649)	(681)
Composting Waste Services	2,314	2,193	2,131	(62)	(183)
MRF Services	12,633	12,554	12,607	53	(26)
Transfer Station and Other Sites	4,625	4,080	4,522	443	(102)
LEL Additional Support	0	6,552	6,552	0	6,552
Corporate and Other Support Service Costs	5,372	5,320	5,118	(202)	(254)
Waste Prevention and Communications Programme	833	980	1,024	44	191
Recycling Communications	0	0	0	0	0
Recycling Initiatives	287	200	183	(17)	(104)
Carbon Capture	1,054	1,425	1,383	(42)	329
North London Heat and Power Project	600	657	685	28	85
Revenue Funding – Capital Programme	10,867	6,889	6,170	(719)	(4,697)
	82,443	84,676	83,552	(1,123)	1,109
Reuse and Recycling Centres Expenditure					
Residual Waste Disposal	1,368	1,208	1,157	(50)	(211)
Operating Costs	4,086	4,629	4,641	12	555
	5,454	5,837	5,799	(38)	344
Income					
Rents	(137)	(135)	(150)	(15)	(13)
Sale of Recyclates	(5,299)	(5,161)	(5,268)	(107)	31
Interest on Balances	(40)	(6,773)	(7,549)	(776)	(7,509)
LEL Electricity Income	(10,000)	(10,000)	(10,000)	0	0
Miscellaneous Income	0	(9)	(16)	(7)	(16)
	(15,476)	(22,077)	(22,983)	(906)	(7,507)
Net Expenditure					
	72,422	68,435	66,368	(2,067)	(6,054)
Contingency	2,448	2,448	2,448	0	0
Total Net Expenditure	74,871	70,883	68,816	(2,067)	(6,054)
Financed By					
Use of Balances	(10,439)	(15,881)	(15,881)	(0)	(5,442)
Charges to Boroughs (Non-household waste)	(8,949)	(8,556)	(8,294)	262	655
Charges to Boroughs (Chargeable Household Waste)	(1,815)	(1,608)	(1,544)	64	271
2022/23 Levy - Base Element	(58,136)	(58,136)	(58,136)	(0)	0
- Base Element Rebate (Windfall)	10,000	10,000	10,000	0	0
- RRC Element	(5,532)	(5,532)	(5,532)	0	0
Total Levy	(53,668)	(53,668)	(53,668)	(0)	0
Total Resources Available	(74,871)	(79,713)	(79,387)	326	(4,516)
Additional Revenue Balances at 31 March	(0)	(8,830)	(10,570)	(1,740)	(10,570)

Note 1 - The Contingency was used to fund the LEL Additional Support and the total additional support payment was £9.0m

Key variances to the February Forecast

Interest on Balances: (-£0.776m) Higher than forecast yields on operating (non-North London Heat and Power Project) cash balances generated more income than forecasted. In addition, £3.9m of interest on balances held for the NLHPP has been transferred to the maintenance reserve.

Revenue Funding – Capital Programme: (-£0.719m) Underspend relating to the deferment of the recognition of interest on borrowing costs until EcoPark South assets are brought into use. During the construction and commissioning period, these interest charges are being capitalised. These will be recognised from April 2024, when the Resource Recovery Facility began receiving borough waste and recycling.

Main Waste Disposal Contract (excluding Reuse and Recycling Centre (RRC) Waste): (-£0.649m) The forecast assumed a higher percentage of our waste would be transferred to more expensive third-party contractors than was actually incurred. A higher proportion of waste was dealt with at the EcoPark leading to the cost saving.

Transfer Stations: (+£0.443m) overspend as the forecast included two months of ramp up costs and insurance. The final agreement included an additional month on ramp up costs.

Corporate and Other Support Service Costs: (-£0.202m) Underspent due to staff vacancies (£0.092m) and rephasing of the budget for the joint waste strategy in to 2024/25 (£0.110m).

Sale of Recyclates: (-£0.107m) Sale of recyclates earned a higher average unit rate than forecast, leading to the additional income.

Composting Waste Services: (-£0.062m) Driven by a change in contract, with more waste transferred to a contractor, resulting in a lower unit price than forecast.

MRF Services: (+£0.053m) minor variance mainly driven by a small increase in tonnage received above the forecasted amount.

2023/24 Tonnage tables

Table A2 – 2023/24 residual waste tonnage

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 Actual Tonnes	Change Tonnes	Change %
Barnet	103,769	108,438	105,014	-3,424	-3.26
Camden	69,721	69,561	68,227	-1,334	-1.96
Enfield	84,560	85,020	88,263	+3,243	+3.67
Hackney	84,763	84,137	85,217	+1,080	+1.27
Haringey	68,147	69,697	69,573	-124	-0.18
Islington	67,959	68,447	68,143	-304	-0.45
Waltham Forest	63,857	65,048	65,707	+659	+1.00
Total	542,776	550,348	550,144	-204	-0.04

The tonnages in table A2 exclude residual waste from RRCs and clinical waste. If these were included the total residual waste for 2023/24 would be 563,508 tonnes, an increase of 6,414 tonnes compared to 2022/23

Table A3 – 2023/24 mixed organic waste tonnage

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 Actual Tonnes	Change Tonnes	Change %
Barnet	0	0	0	+0	N/A
Camden	0	0	0	+0	N/A
Enfield	0	0	0	+0	N/A
Hackney	0	0	5	+5	+100.00
Haringey	445	192	200	+8	+4.00
Islington	3,295	4,170	3,989	-181	-4.54
Waltham Forest	7,765	8,941	8,204	-737	-8.98
Total	11,506	13,303	12,398	-905	-7.30

Table A4 – 2023/24 Food waste tonnage

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 Actual Tonnes	Change Tonnes	Change %
Barnet	0	0	2	+2	+100.00
Camden	2,460	2,900	3,217	+317	+9.85
Enfield	0	7,900	6,846	-1,054	-15.40
Hackney	4,424	5,597	4,835	-762	-15.75
Haringey	3,309	3,846	3,470	-376	-10.84
Islington	0	0	0	+0	N/A
Waltham Forest	408	492	405	-87	-21.48
Total	10,602	20,735	18,775	-1,960	-10.44

Table A5 – 2023/24 Garden waste tonnage

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 Actual Tonnes	Change Tonnes	Change %
Barnet	10,513	12,349	11,630	-719	-6.19
Camden	1,651	1,793	1,801	+8	+0.43
Enfield	296	6,900	6,786	-114	-1.69
Hackney	2,558	2,681	2,617	-64	-2.44
Haringey	2,287	2,579	2,643	+64	+2.42
Islington	487	418	390	-28	-7.16
Waltham Forest	455	193	419	+226	+53.82
Total	18,248	26,914	26,286	-628	-2.39

Table A6 – 2023/24 MDR tonnage

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 Actual Tonnes	Change Tonnes	Change %
Barnet	25,759	26,553	24,748	-1,805	-7.29
Camden	15,362	15,546	16,467	+921	+5.59
Enfield	17,616	20,000	17,565	-2,435	-13.86
Hackney	17,505	18,386	17,191	-1,195	-6.95
Haringey	16,985	18,459	16,495	-1,964	-11.90
Islington	14,245	14,539	14,547	+8	+0.06
Waltham Forest	18,015	18,198	17,401	-797	-4.58
Total	125,486	131,681	124,414	-7,267	-5.84

Table A7 – Non household waste charges by borough

	2023/24 Budget Estimate £'000	2023/24 Current Forecast £'000	Repayment due (to) / from borough £'000
Barnet	1,289	983	(306)
Camden*	1,773	2,328	555
Enfield	1,025	916	(109)
Hackney*	2,244	1,795	(449)
Haringey *	323	318	(5)
Islington *	2,130	1,804	(327)
Waltham Forest	165	150	(15)
Total	8,949	8,294	(656)

* Including income from non-household recyclable wastes.

Table A8 – Chargeable household waste charges by Borough

	2023/24 Budget Estimate £'000	2023/24 Current Forecast £'000	Repayment due (to) / from borough £'000
Barnet	245	194	(51)
Camden*	125	78	(48)
Enfield	158	143	(15)
Hackney*	653	581	(73)
Haringey *	291	268	(23)
Islington *	342	281	(61)
Waltham Forest	0	0	0
Total	1,815	1,544	(271)

APPENDIX B: 2021/22 AUDIT COMPLETION REPORT

Members of the North London Waste Authority
Unit 1B, Berol House
25 Ashley Road
London
N17 9LJ

14 May 2024

North London Waste Authority 2021-22 audit of financial statements

Update/Conclusion of pending matters – Audit Completion Report April 2024

As required by International Standards on Auditing (UK), we are writing to confirm that the matters that were marked as outstanding within our Audit Completion Report presented to the Audit Committee on 25 April 2024 have now been completed.

The outstanding matters and the conclusions reached are detailed in the following tables.

Matter	Update/Conclusion reached
Events after the reporting period	The audit work is now complete and there are no additional matters to report.
Completion procedures	We have received a final set of updated statements which includes all of the agreed amendments. We have therefore completed our final review and sign off procedures.

The Auditor's Annual Report, including the Value for Money Commentary

We provided the Committee in our Audit Completion Report with a summary of our responsibilities in relation to Value for Money. We expect to submit our Auditor's Annual Report to the Committee at the same time as signing the audit report. There are no additional matters in respect of the Council's arrangements for securing value for money that I need to bring to your attention in this letter.

Misstatements

As a result of completing our work we summarise the relevant adjusted and unadjusted misstatements in Annex A to this letter.

If you wish to discuss the points above, or any other points then please do not hesitate to contact me.

Yours faithfully,



Suresh Patel,
For and on behalf of Mazars LLP

30 Old Bailey
London
EC4M 7AU

Summary of misstatements

In the Audit Completion Report we communicated the following unadjusted misstatement for the group:

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Capital Adjustment Account		107	
	Cr: General Fund			(107)
<p>The additional MRP was calculated using the straight-line method rather than the annuity method for post 19/20 borrowings as per the policy.</p> <p>There is a difference of £107,028 between the straight-line method calculation and the annuity method calculation.</p> <p>Management have responded that this is a slightly over-prudent way of calculating the minimum revenue provision which they do not consider would mislead the readers of the financial statements. Management have said that the method will be adjusted in the next year to take account of this difference rather than correcting in year. Mazars consider this to be reasonable</p>				
Total unadjusted misstatements			107	(107)

One subsequent misstatement was identified on final review in our close-down procedures:

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Acquisition Revaluation Reserve		184	
	Cr: Goodwill			(184)
<p>Upon revaluation, a few assets in the Fixed Asset Register were not updated in Unit4. The reason for this was due to the revaluation value not changing from 2021/22, this caused depreciation to be incorrectly calculated for the 22/23 year.</p>				
Total unadjusted misstatements			184	(184)

We set materiality at £1.657m with performance materiality at £1.326m. As such we are satisfied that the above unadjusted misstatements do not materially affect the Authority's accounts.

Material misstatements identified and adjusted:

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Revaluation Reserve			3,656	
	Dr: Land & Buildings - PPE				(3,656)
<p>The Bulky Waste Recycling Facility was due to be disposed of in the 2023/24 financial year, which was known at the time of the valuation. The valuer valued this asset capitalising rent into perpetuity as though it were not being demolished but this should only have been valued for a year - this has given rise to a material misstatement of £3.7m.</p>					
Total adjusted misstatements				3,656	(3,656)