

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: FINANCE UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 5 DECEMBER 2024

SUMMARY OF REPORT:

This report provides an update on the Authority's finances and forecast outturn at the end of March 2025. In addition, it provides an assessment of the budget and resource requirements for 2025/26 and considers the balances that may be available to support the 2025/26 levy.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Note this review of the 2024/25 financial position;
- B. Note the current assessment of the budget and resource requirements for 2025/26 and the factors that could affect the level of the 2025/26 levy; and
- C. Note the issues that will need to be addressed in setting the budget and levy for 2025/26 at the Authority meeting on 13 February 2025

SIGNED: Jon Rowney, Financial Adviser

DATE: 25 November 2024

1. EXECUTIVE SUMMARY

Overview

- 1.1. On 26 September 2024, the Authority was provided with an up-to-date assessment of its financial position. This included an update on changes to the resources available in 2024/25 and an early indication of the budget for 2025/26 as well as an indicative levy based on that budget.
- 1.2. This report provides the outcome of a further review of the 2024/25 forecast outturn, an update on the outlook for the budget and levy for 2025/26 and the medium-term forecast up to 2027/28.

2024/25 Forecast

- 1.3. **Financial Outturn:** The net expenditure outturn forecast for 2024/25 is £91.452m, a projected underspend of £2.423m compared to budget and a decrease compared to the September forecast of £1.538m. Authority officers are intending on using the flexibility of underspends where available and appropriate to mitigate unforeseen pressures. There are a number of variances, of which the main changes are as follows:
 - 1.3.1. The main waste disposal contract with LondonEnergy Ltd (LEL) is based on a contract that came into force in January 2015 and was originally intended to last for ten years. The pricing structure of the contract has only had minor variations over the last nine and a half years. The contract was designed to increase annually in line with the retail price index (RPI). Income from the contract provides the majority of LEL's income. The company has relatively high fixed costs, and as the energy from waste facility has aged, the waste it has treated has reduced. The Authority pays the company a gate fee for each tonne treated, and with the reduced volumes treated there is a gap between LEL's income and costs. High prices from electricity income in recent years temporarily covered this gap. However, prices have reduced, and LEL is liable to pay the Electricity Generator Levy. At this stage, officers have included a provision for an increase in the contract in the forecast of £7m per annum from January 2025.
 - 1.3.2. It is assumed that the prorated £1.75m in 2024/25 will be funded via a drawdown of contingency, but in 2025/26, £5m would be released from the maintenance reserve to support the addition to draft budget.
 - 1.3.3. The forecast has been updated to reflect the agreed first year running costs for the new Eco Park South (EPS) facilities of £6.550m.
 - 1.3.4. Higher forecasts for residual waste tonnages collected and delivered by boroughs for 2024/25 are driving a forecasted £1.802m of additional expenditure. This is offset by an increase in charges to boroughs for non-household (commercial) waste of £2.070m as declared tonnages for commercial waste have increased.

- 1.3.5. These cost increases are partially offset by a (£3.462m) saving of revenue funding for the capital programme. The saving relates to reduced minimum revenue provision (MRP) costs relating to EcoPark South (EPS). As was reported to the July Authority meeting, MRP is charged from the year after opening. The budget assumption for the opening of the first EPS asset (the Resource Recovery Facility) was March 2024, but the first waste was delivered to the site in April 2024, meaning that MRP will be recognised from the 2025/26 financial year. Interest on the borrowing for the asset is recognised from the opening date.
 - 1.3.6. The Authority receives income from its contractor from the onward sale of the recyclates that are accepted by the contractor. The price that the Authority receives is based on prices published by Letsrecycle.com. The 'net basket price' that the Authority has forecast to receive is greater than budgeted, leading to additional income of £1.860m.
 - 1.4. **Waste Tonnage:** The waste tonnage forecasts have been reviewed with borough officers. In 2024/25 the volume of waste the Authority receives is forecast to increase against the budget:
 - 1.4.1. Residual waste is forecast to increase by 18,271 tonnes (3.3%). The majority of this increase is from additional commercial waste tonnage, forecast to be delivered by Hackney. Excluding this, household residual waste is forecast to increase by 1,754 tonnes (0.4%).
 - 1.4.2. Dry mixed recycling is forecast to increase by 1,117 tonnes (0.9%).
 - 1.4.3. Organic waste is currently forecast to be lower than budget by 7,394 tonnes (12.1%). Within this number, there is a significant movement away from mixed organic waste, which is forecast to be lower than budget by 3,147 tonnes (35.5%) as boroughs change to separate collections of food and green waste. Green waste is expected to be lower than budget by 5,633 tonnes (17.6%). However, food waste is expected to be higher than budget by 1,386 tonnes (6.8%).
 - 1.5. **Forecast Borough Balances at 31 March 2024.** The revenue balance at the end of the financial year is forecast to be £4.164m, an increase of £1.538m since the September report to the Authority. This difference would be available to support the 2025/26 levy.
- 2. 2025/26 FORECAST BUDGET AND LEVY**
 - 2.1. Section 4 of this report sets out the underlying assumptions and discusses significant issues that have been captured in the early budget forecast for 2025/26. It concludes that the net expenditure requirement will increase to £104.208m (a year on year increase of £10.334m or 11.0%) which reflects the opening of the EcoPark South assets in 2024/25 and the need to recognise the cost of interest on the borrowing undertaken, and the Authority is required to start making the Minimum Revenue Provision (MRP) in the following financial year (2025/26).

- 2.2. When compared to the approved levy for 2024/25, the levy is forecast to increase by 10.6% before balances are included. However, as the carry forward of balances is expected to be lower next year than it was this year as the Authority is closer to budget, the headline levy may increase by 18.2%. Authority officers will continue to work to mitigate any increases. The potential effect on each borough is captured below.

	Forecast Levy before balances			Balances available			Forecast Levy after balances		
	2024/25	2025/26	Increase/ Decrease	2024/25	2025/26	Increase/ Decrease	2024/25	2025/26	Increase/ Decrease
			£000s			£000s			£000s
Barnet	16,982	19,056	12.2%	(1,964)	(981)	-50.1%	15,018	18,075	20.4%
Camden	8,625	9,548	10.7%	(1,864)	(389)	-79.1%	6,761	9,159	35.5%
Enfield	13,114	14,485	10.5%	(957)	(1,092)	14.2%	12,157	13,393	10.2%
Hackney	10,471	11,512	9.9%	(759)	(618)	-18.6%	9,712	10,894	12.2%
Haringey	11,341	12,632	11.4%	(1,243)	(484)	-61.0%	10,098	12,148	20.3%
Islington	8,940	9,981	11.6%	(652)	(251)	-61.6%	8,288	9,730	17.4%
Waltham Forest	12,224	13,104	7.2%	(1,391)	(349)	-74.9%	10,833	12,755	17.7%
	81,697	90,318	10.6%	(8,829)	(4,164)	-52.8%	72,868	86,154	18.2%

- 2.3. The increase before balances is driven by a full year of operating costs, interest charges and MRP relating to the new assets being brought into use in 2025/26, as well as additional support for LondonEnergy Ltd.
- 2.4. The Member Finance Working Group will meet in January 2025 to examine the assumptions underpinning the current budget forecast and the levy options.
- 2.5. Further work will be carried out, with continuing close liaison with boroughs, to produce updated budget proposals for the Member Finance Working Group to review together with up-to-date advice on the Authority's budget and resource requirements for 2025/26. This will be reported to the Authority meeting in February 2025, at which the budget and levy will be set. In keeping with established practice, officers will meet with Borough Finance Directors in January to seek their views on the application of balances and to report back to the Authority in February.

Medium term Forecast

- 2.6. The Medium term forecast in section 6 of this report looks ahead to 2026/27 and 2027/28 to provide a forecast of likely costs, the levy and charges in these years.

LondonEnergy Ltd Budget for 2025

- 2.7. The LondonEnergy Budget is included in the Governance of LondonEnergy Ltd paper elsewhere on this agenda. Officers have been involved in the budgeting process and have challenged the budgeted figures as appropriate. The tonnages and estimates in this paper have been reviewed and compared to the LondonEnergy budget and the two are in broad alignment.

3. 2024/25 FORECAST

- 3.1. At the meeting on 8 February 2024, the Authority approved a budget for 2024/25 of £93.875m. A revised forecast position for 2024/25, taking into account the current

year to date spend, revised plans for the remainder of the year and revised tonnage forecasts has led to an updated net expenditure forecast position of £91.452m, an underspend of £2.423m compared to the budget. A table comparing the budget to the forecast is included as table A1 in Appendix A.

3.2. The variances to the budget are as below:

- 3.2.1. **Transfer Stations and Other Sites: (+£3.952m)** Updated running costs for the EcoPark South (EPS) facilities have been included. These charges cover the estimated running cost of the new facilities at EPS for the first year. These costs will be reviewed again by officers and counterparts in LEL to agree a fixed cost for running and maintaining the facilities for the next four years the outcome of which will be reported to a future Authority meeting.
- 3.2.2. **Revenue Funding – Capital Programme: (-£3.462m)** Cost saving primarily driven by the opening of the new EPS facilities in April 2024, meaning the corresponding charge for the MRP will now be included for the first time in 2025/26, the financial year after opening.
- 3.2.3. **Main Waste Disposal Contract (excluding RRC Waste): (+£1.802m)** Cost increase driven by higher residual waste tonnage forecasts. Total residual waste is forecast to increase by 18,271 tonnes (3.3%) from the budgeted figure. This increase is in line with the current year to date spend (April – September 2024) that has already been incurred. Compared to the September forecast, tonnage has increased by 3,203 tonnes, an increase of 0.6%.
- 3.2.4. **LEL Additional Support: (+£1.750m)** The main waste disposal contract is nearly 10 years old. The pricing structure of the contract has only had minor variations over this time. Over the years, LondonEnergy's (LEL) cost base has changed to reflect the changing requirements of waste and other legislation and these have not necessarily been reflected in contractual increases that are linked to RPI. In addition, the existing plant has aged and has become more expensive to maintain. To reflect these challenges, Officers have included a provision for an increase in the contract prices. This increase will be offset by a reduction in the contingency for 2024/25.
- 3.2.5. **Corporate and Other Support Services costs (-£0.592m):** The main driver of the variance is a reduction in staff costs of (£0.852m). This is broken down by (£0.360m) due to delayed recruitment for vacant posts and (£0.492m) reduction due to increased staff costs now charged to the NLHPP following an internal review of the staff capitalisation policy. These savings are partially offset by £0.200m for Environmental Stakeholder Management work.
- 3.2.6. **Interest on Balances: (-£0.558m)** The forecast has been updated to reflect the latest assumptions related to interest rates that are forecast and will be received on the Authority's cash balances.

- 3.2.7. **MRF Services: (+£0.507m)** A review of unit rates has resulted in an uplift in the rates used in the budget. This cost increase is expected to be offset by a forecast increase in the sales of recyclates (see below).
- 3.2.8. **Income from the Sale of Recyclates: (-1,423m)** The unit rate for recyclates income is based on market rates. These have been higher than budgeted so far this year, however, are expected to fall in the medium term. In the chart below, the dashed black line represents the forecast price for the remainder of the year and the grey line reflects the original budget.

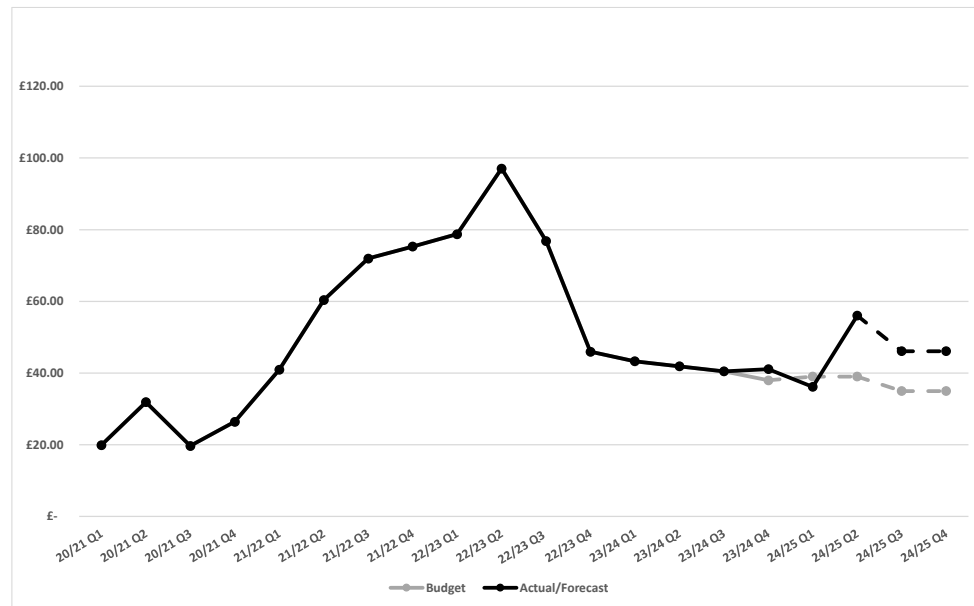


Chart 1 – net basket price for income from recyclates

- 3.2.9. **Composting Waste Services: (-£0.475m)** The saving is largely driven by a change in the mix of tonnage. There is a 36% reduction in mixed food and green tonnage forecasts as boroughs move away from collecting this type of waste and instead collect food and green waste separately. Mixed food and green is more expensive to process so there are cost savings generated by switching collection methods. Separated green waste is lower than budget, however tonnage is similar to that received in 2023/24.
- 3.2.10. **Carbon Capture & Storage: (-0.404m)** The Strategic Assessment phase was completed in April 2024, allowing the project to progress to Phase 1. The initial budget allocated £1.152m for the first year of Phase 1, but this has been reduced to £748k in the Q3 2024/25 forecast. The project aims to align with Government policy, which has been delayed, causing a knock-on effect on project activities. A primary focus of Stage 1 is investigating feasible transport routes and modes (pipeline, road, rail, barge, and shipping). This work is heavily influenced by third-party engagement, which in some cases has been slower than expected, resulting in project delays.
- 3.2.11. **RRC Residual Waste Disposal: (+£0.064m)** Residual tonnage is up by an average of 14% compared to the budget across all sites, excluding Gateway Road. The budget was based on prior year's actual tonnage. This increase

has led to higher costs for landfill, shredding, haulage, and disposal. Tonnage increases vary by site, with Western Road and Hornsey Street seeing the largest rises—52% for Western Road and 31% for Hornsey Street. This is partially offset by reduced costs at Gateway Road, as the site closed in November.

3.2.12. **RRC Operating Costs: (+£0.273m)** Operating costs include net recycling, site operations, and reuse shop expenses have increased. Net recycling costs have increased by £0.475m against the budget (excluding Gateway Road). Overall chargeable tonnage has risen by 3,820 tonnes (20%), driven by a 21% increase in wood tonnage and a 21% increase in green waste. The largest increase in green waste occurred at Hornsey Street, with an 85% rise compared to the budget. Wood tonnage saw the most significant increases at Western Road (41%) and South Access Road (30%). Income from recyclables and site operating costs are projected to be broadly in line with the budget, and the reuse shop is forecast to generate a profit of £0.044m. The £0.273m overspend against the budget is partially offset by reduced costs at Gateway Road due to the site's closure in November.

3.2.13. **Charges for Household & Non-Household Waste: (-£2.070m)** Updated forecasts of tonnages from boroughs for chargeable household wastes (from healthcare and schools, for example) and non-household wastes (commercial) indicate that additional waste will be collected across the financial year. The majority of this increase arises from the London borough of Hackney and would result in an additional charge to Hackney payable after the end of the financial year. Tables A7 and A8 in Appendix A reflect the forecast expectation for non-household and chargeable waste for each borough.

4. BOROUGH BALANCES AT 31 MARCH 2025

4.1. The menu price-based levy requires the Authority to apportion all its costs to the boroughs based on the types of waste and the tonnage delivered by each borough 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 additional share in the following year's levy, equal to the borough's balance.

4.2. Tables A9 and A10 in Appendix A show how in-year levy balances might be apportioned (based on the current forecast) between the boroughs and used to reduce the levy when the Authority determines its 2025/26 levy in February. A table detailing the forecast outturn and how it has changed since the October review is included in Appendix A as table A1.

2024/25 Summary

4.3. Allowing for the factors outlined above, the total net expenditure in 2024/25 for the Authority is estimated to be £91.452m. This represents a decrease of £2.423m against the budget. Taking into account the balances brought forward at the end of

2023/24 of £1.741m, the net revenue surplus on 31 March 2025 is forecast to be £4.164m.

5. 2025/26 BUDGET FORECAST

- 5.1. The following paragraphs set out the underlying assumptions and discuss significant issues and variances for the coming year. This section of the report concludes with a table setting out the forecast 2025/26 levy and charges for each borough. This is based on data early in the current financial year and fuller data will be used to present a further review to the February 2025 Authority meeting along with a draft budget for 2025/26 and the medium-term forecast. At the Authority meeting in February 2025, the Authority must agree its budget and set the levy for 2025/26, in line with the Inter Authority Agreement agreed in 2016.

Opening position

- 5.2. When setting the levy for 2024/25, no balances were forecast as being available to support the 2025/26 budget and levy. Since then, the unaudited revenue balances at 31 March 2024 improved by £1.741m. In addition, reviews of the 2024/25 budget have identified that revenue balances at 31 March 2023 could increase by a further £2.423m to £4.164m.
- 5.3. The Authority's net expenditure is forecast to be £104.208m, before considering any available reserves. This is 11.0% higher than the 2024/25 budget. The following paragraphs set out the underlying assumptions and discuss significant issues and variances. The budget for 2025/26 compared with 2024/25 is laid out in table B1 in Appendix B.

Inflation

- 5.4. Most of the prices in the Authority's contract with LEL are reviewed annually in line with the December Retail Price Index (RPI). For financial planning purposes the Authority has used the HM Treasury's digest of forecasts published by banks and other institutions and has assumed an increase in December 2024 RPI at 3.8%. Costs linked to the Consumer Price Index (CPI) have been increased by 2.5%. Inflation assumptions will be reviewed and updated for the February budget and levy meeting.

Main Waste Disposal

- 5.5. The 2025/26 transport and disposal budget has been based on forecast residual waste stream of 560,262 tonnes (excluding RRC tonnages), i.e. a decrease of 13,311 tonnes compared with the latest forecast for 2024/25. This reduction is primarily made up of a 14,996 tonne reduction in the Non-Household & Chargeable Household waste tonnages, offset by a 1,685 increase in household waste tonnes. These tonnages have been reviewed with borough officers and the impacts are therefore tailored to each borough's circumstances. A breakdown of the budgeted total tonnage of residual waste excluding RRC waste, by borough is included in table B2 in Appendix B.

- 5.6. Electricity prices are assumed to remain high enough that there will be no requirement for the electricity income claim in the year.

Landfill Tax

- 5.7. As reported to the Authority in September, landfill tax will increase from April 2025 by over 21% to £126.15. The latest forecast reflects the increased tax.

Organic Waste and Materials Recovery Facility Services

- 5.8. The draft budget forecast for 2025/26 reflects the forecast services changes currently being implemented across boroughs. Mixed Organic waste is expected to stop being collected within 2024/25, meaning a zero tonnage forecast for 2025/26. Food waste is forecast to increase by 1,986 / 9.2% and 4,493 tonnes / 17% increase in Garden waste. These increases are in part driven by the move away from Mixed Organic waste collections, into separate Green & Food collections. But also include the impact of other services changes, for example boroughs moving to a fortnightly residual collection, leading to increases in Organic waste tonnage. The budgeted costs also reflect an allowance of 3.57% for price inflation in April 2025. The Tonnage forecasts are included in tables B3-B6 in Appendix B.

Waste Prevention and Communications Programme

- 5.9. The budget contains provision to maintain the community fund programme at £250k. This is within an overall communications proposal which is forecast to be £0.079m lower than the 2024/25 budget.

Reuse and Recycling Centres

- 5.10. The costs of running the Reuse and Recycling Centres have been updated to reflect any known costs and estimated income from recyclates. As mentioned in paragraphs 3.2.11 and 3.2.12, the tonnages and costs of waste at recycling centres have increased compared to the 2024/25 budget. It is assumed that this increase will continue, and tonnages used to inform the forecast for 2025/26 are similar to 2024/25. An analysis of these costs, which include an estimate of income from the sale of recyclates is included in table B9 in Appendix B.
- 5.11. The site at Gateway Road in Waltham Forest was closed in November 2024. The associated running costs of £0.570m have been removed from the 2025/26 budget.

New Resource Recovery Facility (RRF)

- 5.12. The budget includes an estimate of the running costs of the RRF for the entire year. The cost of funding the capital programme includes an allowance for interest on loans taken to fund the development and construction of the facility as well as a charge for the associated MRP.
- 5.13. Actual running costs will be reviewed with officers at LEL to establish the fixed fee for operating the facilities over coming years and the outcome will be reported to a future meeting.

- 5.14. Any additional costs associated with the new RRF facilities, for example for asset maintenance, will be funded by drawdowns from contingency or the NLWA Maintenance Reserve. Meaning any additional costs will not result in a bottom-line budgetary impact.

Carbon Capture and Storage

- 5.15. The budget and medium plan includes the approved cost of preparing the outline business case for a carbon capture and storage solution at the new energy recovery facility. The medium term forecast includes the cost of the second phase of the work.

Revenue Funding of the Capital Programme

- 5.16. The budget forecast provides for the financing costs of:

- 5.16.1. The Authority's investment in LondonEnergy Ltd
- 5.16.2. Pinkham Way
- 5.16.3. Lease of laydown area, part of the EcoPark and the purchase of Deephams Farm Road to support the North London Heat and Power project
- 5.16.4. The Resource Recovery Facility and EcoPark House
- 5.16.5. The possible refurbishment of RRC sites

- 5.17. The Authority also makes a Minimum Revenue Provision. This represents the minimum amount that must be set aside in the Authority's revenue account each year, to repay the borrowing necessary to finance the asset acquisitions listed above.

- 5.18. The costs of borrowing for the NLHPP are rolled into the capital cost until the asset comes into use. Therefore, the impact of borrowing for the construction of the Energy Recovery Facility and associated costs will not be budgeted under this heading until completion.

Sale of Recyclates

- 5.19. The forecast is based on the latest available rates that we have incurred in 2024/25 to date. In addition, the rates used in the 2025/26 forecast assume a 3.57% inflationary uplift.

Non-Household Waste Charges

- 5.20. The Authority anticipates that boroughs will deliver 78,183 tonnes of residual waste and 16,187 tonnes of recyclable and organic waste to the Authority in 2025/26.
- 5.21. The estimated charges per tonne of waste are included in table 2 below. The charge for dry recyclable waste is inclusive of the income the Authority receives through the income sharing arrangements with its Materials Recycling Facility (MRF) providers.
- 5.22. Based on the advised tonnages the estimated cost to the boroughs is £12.052m. This is analysed by borough in Table B7 in Appendix B.

Table 2	Price Per Tonne £
Residual	141.44
Green	61.27
Food	5.78
Mixed Dry Recyclable	70.65

Chargeable Household Waste

- 5.23. The Authority forecasts that it expects to receive 12,286 tonnes of residual waste and 2,484 tonnes of organic waste and dry mixed recycling in 2025/26.
- 5.24. The estimated charges per tonne of waste are included in Table 2 above. The charge for dry recyclable waste is inclusive of the income the Authority receives through the income sharing arrangements with its MRF providers.
- 5.25. Based on the advised tonnages the estimated cost to the boroughs in 2024/25 is £1.840m. The cost is analysed by borough in Table B8 in Appendix B.

Contingency

- 5.26. The budget forecast in this report reflects the approach taken in recent budgets, i.e. £1m plus 2% of the operational base provision.

Levy

- 5.27. The table in paragraph 2.2 sets out the current estimate of the potential 2025/26 levy for each borough. It reflects the forecast balances at 31 March 2025 and the Authority's expenditure and income expectations. Residual waste and recycling tonnage forecasts will be reviewed in conjunction with borough counterparts to inform the February update.

Efficiency Savings and Cost Reductions

- 5.28. Members will be aware that, given the demand-led nature of the service provided by the Authority to the constituent boroughs and the long-term contracts that it has for the majority of these services, the scope to make savings is limited. Despite these limitations, officers are reviewing costs to identify savings within the budget and medium-term forecast.
- 5.29. The Authority has identified savings in year including, but not limited to:
- 5.29.1. The closure of Gateway Road RRC
 - 5.29.2. Identifying savings in operational support costs
 - 5.29.3. Replanning the Carbon Capture project to reflect the slower progress being made by Government to identify storage options nationwide
 - 5.29.4. Supporting boroughs that wish to switch to separated food and green waste
 - 5.29.5. Insourcing some project roles to reduce NLHPP costs

5.29.6. Developing and delivering waste prevention and communications projects in-house and reducing spend on contractors

5.30. The Authority is also working closely with contractors to ensure that when contracts come to an end, costs of new contracts are minimised and price increases are mitigated where possible.

Levy Apportionment Arrangements

5.31. All boroughs formally agreed to adopt a menu-price based levy for 2016/17 onwards. Details of the calculation for 2024/25 can be found in Tables B9 and B10 in Appendix B.

6. MEDIUM TERM FORECAST

6.1. After 2025/26 there are currently no balances available to offset the levy. Based on high level estimates of future expenditure, the current total levy estimates are as below. Borough directors of finance have confirmed that increases to the levy resulting from the opening of NLHPP assets have been factored into their own forecasts.

Inflation

6.2. The forecast includes assumptions for inflation however the further into the future, the more uncertain these forecasts become. Therefore, after December 2025, it is assumed that inflation lies within the government targets (2.5% for the RPI and 2.0% for the Consumer Price Index. For every 1% difference from this the equivalent cost would be movement of £1m to the Authority.

Legislative Reform

6.3. Since the September meeting, there has been no significant announcements from the Government and uncertainties surrounding potential new central government waste reforms remain. Initiatives such as the Deposit Return Schemes, Extended Producer Responsibility (EPR), Emissions Trading Scheme (ETS), and Simpler Recycling are expected to introduce further cost and financial burden onto the authority with ETS and EPR likely to have the most impact.

6.4. Authority officers continue to work in collaboration with external stakeholders to lobby on the side of affordability and practicality on these changes. However, at this stage, the uncertainty means that nothing has been included in the forecast for these items.

Business Continuity

6.5. The 2025/26 budget forecast includes a provision of £7m to support LEL in the period until the new Energy Recovery Facility is operational and a new operating contract is in place. This will support the Authority's objectives.

- 6.6. This provision makes allowance for planned outages in LEL’s business plan, however any medium term or long term outages that are unplanned would be outside the scope of this provision.

Revenue Impact of Capital Investment

- 6.7. The current forecast includes an estimate of the interest cost and Minimum Revenue Provision (MRP) for EcoPark South facilities. These estimates may change slightly as the final costs are agreed. The MRP for the Energy Recovery Facility is included from the financial year after it opens.

Balances

- 6.8. If balances are available at the end of 2025/26 they will be used to reduce the cost of services in 2026/27. There has not been a year since 2010, in which balances have not developed to reduce the eventual levy for the following year.
- 6.9. The legislative reforms will be included in future forecasts as they become more certain, however, the medium term forecast excluding legislative reforms is forecast to be as follows:

Table 3	Net Expenditure	Base Levy	RRC Levy	Total	Increase
	£'000	£'000	£'000	£'000	%
2026/27	111,757	(89,990)	(6,705)	(96,695)	12.2%
2027/28	115,879	(93,542)	(6,906)	(100,448)	3.9%

7. CONCLUSION

- 7.1. This update indicates that the 2024/25 budget remains sufficiently robust to meet the cost of the Authority's waste disposal obligations in the current year and balances at 31 March 2025 are likely to be £4.164m higher than was assumed when the budget was set in February 2024. There is no certainty that any further balances will emerge in 2024/25 and the forecast levy for 2025/26 to 2027/28 includes no allowance for them. Officers are however reviewing costs to identify opportunities to reduce costs and will keep Borough Directors of Finance informed of progress.
- 7.2. In February 2025 it will be necessary for Members to take decisions to ensure that the 2025/26 budget is sufficient to meet the Authority’s statutory obligations in the year ahead. To assist with this process, the Member Finance Working Group will meet in January 2025 to review the assumptions underpinning the 2025/26 budget forecast and to consider levy options. The outcome from this review together with up-to-date advice on the Authority’s budget and resource requirements for 2025/26 will be reported to the budget and levy setting meeting in February.

8. EQUALITIES IMPLICATIONS

- 8.1. 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.

9. COMMENTS OF THE LEGAL ADVISER

- 9.1. The Legal Adviser has been consulted in the preparation of this report and comments have been incorporated.

List of documents used:

Report to the Authority 08 February 2024 – Budget and Levy 2024/25
2024/25 budgetary control working papers

Contact officer:

Paul Gulliford
Head of Finance
North London Waste Authority
Unit 1b Berol House
25 Ashley Road
London N17 9LJ

APPENDIX A: INFORMATION RELATING TO THE 2024/25 FORECAST

Table A1 2024/25 Forecast Outturn

Table A1 shows the variance between the October update, budget and the current forecast.

	2024/25 Budget	2024/25 September Forecast	2024/25 Current Forecast	Variance to Budget	Variance to September Forecast
	£'000		£'000	£'000	£'000
Expenditure					
Main Waste Disposal Contract (ex RRC Waste)	45,919	47,416	47,721	1,802	305
Composting Waste Services	2,205	1,743	1,730	(475)	(13)
MRF Services	12,755	12,876	13,263	507	387
Transfer Station and Other Sites	5,009	8,918	8,960	3,952	42
Corporate and Other Support Service Costs	6,097	5,643	5,505	(592)	(138)
Waste Prevention and Communications Programme	816	804	806	(10)	2
Recycling Initiatives	206	206	206	0	0
Carbon Capture	1,152	835	748	(404)	(87)
North London Heat and Power Project	633	640	634	0	(6)
Revenue Funding – Capital Programme	14,834	11,429	11,371	(3,462)	(58)
	89,626	90,510	90,945	1,319	435
Additional LEL Support					
LEL Support	0	1,750	1,750	1,750	0
Release of Maintenance Provision	0	(1,750)	0	0	1,750
	0	0	1,750	1,750	1,750
Reuse and Recycling Centres Expenditure					
Residual Waste Disposal	1,336	1,421	1,400	64	(21)
Operating Costs	4,908	5,317	5,181	273	(136)
	6,244	6,738	6,581	337	(157)
Income					
Rents	(141)	(155)	(156)	(15)	(1)
Sale of Recyclates	(4,477)	(5,128)	(5,900)	(1,423)	(772)
Interest on Balances	(198)	(786)	(756)	(558)	29
Miscellaneous Income	0	(12)	(12)	(12)	0
Additional Charges to Boroughs	0	(998)	(2,070)	(2,070)	(1,072)
	(4,816)	(7,079)	(8,895)	(4,079)	(1,816)
Net Expenditure					
	91,054	90,169	90,381	(673)	212
Contingency	2,821	2,821	1,071	(1,750)	(1,750)
Total Net Expenditure	93,875	92,990	91,452	(2,423)	(1,538)
Financed By					
Use of Balances	(8,829)	(10,570)	(10,570)	(1,741)	0
Charges to Boroughs (Non-household waste)	(10,253)	(10,253)	(10,253)	0	0
Charges to Boroughs (Chargeable Household Waste)	(1,925)	(1,925)	(1,925)	0	0
2024/25 Levy - Base Element	(66,383)	(66,383)	(66,383)	0	0
- RRC Element	(6,484)	(6,484)	(6,484)	0	0
Total Levy	(72,867)	(72,867)	(72,867)	0	0
Total Resources Available					
	(93,875)	(95,615)	(95,615)	(1,741)	0
Estimated Additional Revenue Balances at 31 March					
	(0)	(2,625)	(4,164)	(4,164)	(1,538)

TONNAGE FORECASTS

The tonnage in tables A2-A6 have been reviewed based on actual tonnage delivered in April to September 2024, and borough officers' own expectations for October 2024 to March 2025. Where officers are aware of planned service changes, these have been included in the forecast. The tonnage includes both household, chargeable household and non-household waste.

Table A2 – 2024/25 residual waste tonnage forecast

	2023/24	2024/25	2024/25		
	Actual	Budget	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	105,215	106,269	107,184	915	0.9%
Camden	69,091	69,937	69,657	(281)	(0.4%)
Enfield	91,417	91,079	89,404	(1,675)	(1.8%)
Hackney	85,211	85,013	102,392	17,380	20.4%
Haringey	69,987	70,264	70,012	(252)	(0.4%)
Islington	68,496	68,279	67,995	(284)	(0.4%)
Waltham Forest	66,719	64,460	66,929	2,468	3.8%
	556,136	555,302	573,573	18,271	3.3%

Table A3 – 2024/25 mixed organic waste tonnage forecast

	2023/24	2024/25	2024/25		
	Actual	Budget	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	0	0	0	0	N/A
Camden	0	0	0	0	N/A
Enfield	0	0	0	0	N/A
Hackney	0	0	0	0	N/A
Haringey	200	246	52	(194)	(79.1%)
Islington	3,989	4,232	20	(4,212)	(99.5%)
Waltham Forest	8,204	4,377	5,637	1,260	28.8%
	12,394	8,855	5,708	(3,147)	(35.5%)

Table A4 2024/25 Food waste tonnage forecast

	2023/24	2024/25	2024/25		
	Actual	Budget	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	2	0	0	0	N/A
Camden	3,217	3,111	2,642	(470)	(15.1%)
Enfield	6,846	6,951	6,637	(314)	(4.5%)
Hackney	4,840	4,777	4,576	(201)	(4.2%)
Haringey	3,470	3,546	3,603	57	1.6%
Islington	0	0	2,234	2,234	N/A
Waltham Forest	405	1,905	1,985	80	4.2%
	18,781	20,290	21,676	1,386	6.8%

Table A5 – 2024/25 Garden waste tonnage forecast

	2023/24	2024/25	2024/25		
	Actual	Budget	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	11,630	12,618	10,601	(2,017)	(16.0%)
Camden	1,801	2,090	1,717	(373)	(17.8%)
Enfield	6,786	6,743	6,504	(239)	(3.5%)
Hackney	2,617	2,599	1,336	(1,263)	(48.6%)
Haringey	2,643	2,732	2,682	(49)	(1.8%)
Islington	390	706	1,193	487	69.0%
Waltham Forest	419	4,569	2,391	(2,178)	(47.7%)
	26,286	32,056	26,424	(5,633)	(17.6%)

Table A6 – 2024/25 MDR tonnage forecast

	2023/24	2024/25	2024/25		
	Actual	Budget	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	24,748	25,759	25,026	(733)	(2.8%)
Camden	16,467	15,362	17,423	2,061	13.4%
Enfield	17,565	17,411	17,477	66	0.4%
Hackney	17,191	17,337	16,802	(535)	(3.1%)
Haringey	16,495	16,985	16,331	(653)	(3.8%)
Islington	14,547	14,245	14,228	(17)	(0.1%)
Waltham Forest	17,401	16,266	17,195	929	5.7%
	124,414	123,364	124,481	1,117	0.9%

Table A7 – Non-household waste Charges by Borough

	2024/25 Budget Estimate £'000	2024/25 Current Forecast £'000	Repayment due (to) / from borough £'000
Barnet	1,243	1,287	43
Camden*	2,807	2,770	(36)
Enfield	1,098	1,217	119
Hackney*	2,192	4,465	2,273
Haringey *	379	390	11
Islington *	2,351	2,018	(333)
Waltham Forest	182	173	(9)
Total	10,253	12,321	2,068

* Including income from non-household recyclable wastes.

Table A8 – Chargeable household waste charges by borough

	2024/25 Budget Estimate £'000	2024/25 Current Forecast £'000	Repayment due (to) / from borough £'000
Barnet	253	354	101
Camden*	88	118	29
Enfield	174	178	4
Hackney*	700	709	9
Haringey *	323	320	(3)
Islington *	388	250	(138)
Waltham Forest	0	0	0
Total	1,925	1,928	2

* Including income from non-household recyclable wastes.

Table A9 - RRC Balances available at year end

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 overspends 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.

Balances with brackets at 31 March 2025 indicate an estimate of balances owed to the borough by the Authority and balances without brackets are a balance owed by the borough to the Authority.

	Revised RRC Balances at 1 April 2024	Total Operating Costs – 2024/25 Original Budget	Total Operating Costs - 2024/25 Current Forecast	Change in 2024/25 Total Operating Costs	Estimated RRC Balances at 31 March 2025 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	21	1,523	1,630	107	128
Camden	12	775	853	77	89
Enfield*	(14)	132	142	11	(3)
Hackney	(8)	376	375	(1)	(9)
Haringey	(30)	1,151	1,317	167	137
Islington	5	908	965	56	62
Waltham Forest	(9)	1,619	1,582	(37)	(46)
Total	(22)	6,484	6,865	381	358

Table A10 - Base levy balances by borough

The menu-price based levy requires the authority to attribute all of its costs to the boroughs and to hold borough specific balances. A negative balance for a borough can be used to support a future year's levy but if positive 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.

Balances with brackets at 31 March 2025 indicate an estimate of balances owed to the borough by the Authority.

	Revised balance at 1 April 2024	2024/25 Budget Levy Costs	2024/25 Levy Costs - Current Forecast	Forecast Change in 2024/25 Levy Costs	Estimated Balance at 31 March 2025 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(396)	13,495	12,782	(713)	(1,109)
Camden	(273)	5,986	5,781	(205)	(478)
Enfield	(412)	12,025	11,348	(677)	(1,089)
Hackney	(122)	9,336	8,850	(487)	(609)
Haringey	(187)	8,947	8,513	(434)	(621)
Islington	(67)	7,380	7,134	(246)	(313)
Waltham Forest	(261)	9,214	9,173	(41)	(303)
Total	(1,718)	66,383	63,579	(2,804)	(4,522)

APPENDIX B: TABLE B1 – 2024/25 & 2025/26 COMPARISON

	2024/25 Budget	2025/26 September Draft Budget	2025/26 Current Budget	Variance to 2024/25 Budget	Variance to September Draft 2025/26 Budget
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Main Waste Disposal Contract (ex RRC Waste)	45,919	48,549	49,175	3,256	626
Composting Waste Services	2,205	1,464	1,584	(621)	120
MRF Services	12,755	14,003	14,167	1,411	163
Transfer Station and Other Sites	5,009	10,218	10,267	5,259	49
Corporate and Other Support Service Costs	6,097	5,260	5,745	(352)	484
Waste Prevention and Communications Programme	816	837	737	(79)	(100)
Recycling Initiatives	206	211	211	5	0
Carbon Capture	1,152	899	899	(253)	0
North London Heat and Power Project	633	652	656	23	4
Revenue Funding – Capital Programme	14,834	15,187	16,023	1,189	836
	89,626	97,281	99,464	9,838	2,183
Additional LEL Support					
LEL Support	0	7,000	7,000	7,000	0
Release of Maintenance Provision	0	(5,000)	(5,000)	(5,000)	0
	0	2,000	2,000	2,000	0
Reuse and Recycling Centres Expenditure					
Residual Waste Disposal	1,336	1,462	1,373	37	(89)
Operating Costs	4,908	5,518	5,137	229	(381)
	6,244	6,980	6,510	266	(471)
Income					
Rents	(141)	(159)	(161)	(20)	(1)
Sale of Recyclates	(4,477)	(4,596)	(6,312)	(1,835)	(1,716)
Interest on Balances	(198)	(203)	(203)	(5)	0
Miscellaneous Income	0	0	0	0	0
	(4,816)	(4,959)	(6,676)	(1,860)	(1,717)
Net Expenditure	91,054	101,302	101,298	10,244	(4)
Contingency	2,821	2,910	2,910	89	0
Total Net Expenditure	93,875	104,213	104,208	10,334	(4)
Financed By					
Use of Balances	(8,829)	(2,625)	(4,164)	4,666	(1,538)
Charges to Boroughs (Non-household waste)	(10,253)	(12,654)	(12,052)	(1,799)	603
Charges to Boroughs (Chargeable Household Waste)	(1,925)	(2,024)	(1,840)	86	184
2024/25 Levy - Base Element	(66,383)	(79,426)	(79,286)	(12,903)	140
- RRC Element	(6,484)	(7,484)	(6,868)	(384)	616
Total Levy	(72,867)	(86,909)	(86,154)	(13,286)	756
Total Resources Available	(93,875)	(104,213)	(104,208)	(10,334)	4
Estimated Additional Revenue Balances at 31 March	(0)	0	0	0	0

Table B2 – 2025/26 residual waste tonnage forecast

	2024/25	2025/26		
	Forecast	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	107,184	109,328	2,144	2.0%
Camden	69,657	69,600	(57)	(0.1%)
Enfield	89,404	89,404	0	0.0%
Hackney	102,392	87,653	(14,740)	(14.4%)
Haringey	70,012	70,012	0	0.0%
Islington	67,995	68,675	680	1.0%
Waltham Forest	66,929	65,590	(1,339)	(2.0%)
	573,573	560,262	(13,311)	(2.3%)

Table B3 – 2025/26 mixed organic waste tonnage forecast

	2024/25	2025/26		
	Forecast	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	0	0	0	N/A
Camden	0	0	0	N/A
Enfield	0	0	0	N/A
Hackney	0	0	0	N/A
Haringey	52	0	(52)	(100.0%)
Islington	20	0	(20)	(100.0%)
Waltham Forest	5,637	0	(5,637)	(100.0%)
	5,708	0	(5,708)	(100.0%)

Table B4 2025/26 Food waste tonnage forecast

	2024/25	2025/26		
	Forecast	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	0	0	0	N/A
Camden	2,642	2,840	198	7.5%
Enfield	6,637	6,637	0	0.0%
Hackney	4,576	4,805	229	5.0%
Haringey	3,603	3,675	72	2.0%
Islington	2,234	2,345	112	N/A
Waltham Forest	1,985	3,360	1,375	69.3%
	21,676	23,662	1,986	9.2%

Table B5 – 2025/26 Garden waste tonnage forecast

	2024/25	2025/26		
	Forecast	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	10,601	10,601	0	0.0%
Camden	1,717	2,040	323	18.8%
Enfield	6,504	6,504	0	0.0%
Hackney	1,336	1,255	(80)	(6.0%)
Haringey	2,682	2,682	0	0.0%
Islington	1,193	1,253	60	5.0%
Waltham Forest	2,391	6,582	4,191	175.3%
	26,424	30,917	4,493	17.0%

Table B6 – 2025/26 MDR tonnage forecast

	2024/25	2025/26		
	Forecast	Forecast	Change	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	25,026	25,276	250	1.0%
Camden	17,423	17,597	174	1.0%
Enfield	17,477	17,477	0	0.0%
Hackney	16,802	16,802	0	0.0%
Haringey	16,331	16,494	163	1.0%
Islington	14,228	14,370	142	1.0%
Waltham Forest	17,195	17,711	516	3.0%
	124,481	125,727	1,246	1.0%

Table B7 – 2025/26 Non-household waste Charges by Borough

	2025/26	2025/26
	Estimated	Estimated
	Tonnes	Cost
		£'000
Barnet*	10,596	1,471
Camden*	27,520	3,321
Enfield	9,760	1,380
Hackney*	22,181	2,862
Haringey *	3,416	439
Islington *	19,504	2,381
Waltham Forest*	1,392	197
Total	94,370	12,051

Table B8 – 2025/26 Chargeable household waste charges by borough

	2025/26 Estimated Tonnes	2025/26 Estimated Cost £'000
Barnet	2,220	314
Camden	1,116	135
Enfield	0	0
Hackney	5,544	739
Haringey	2,820	359
Islington	3,071	293
Waltham Forest *	0	0
Total	14,771	1,840

Table B9 – 2024/25 RRC

	Forecast RRC Balances at 1 April 2025 £'000	2025/26 Estimated costs £'000	2025/26 Estimated Levy £'000
Barnet	128	1,481	1,609
Camden	89	839	928
Enfield*	(3)	279	276
Hackney	(9)	316	307
Haringey	137	1,237	1,374
Islington	62	956	1,018
Waltham Forest	(46)	1,400	1,354
Total	358	6,510	6,867

Table B10 2024/25 Base Levy

	Forecast Balances at 1 April 2025	2025/26 Estimated Levy Requirement	2025/26 Estimated Levy
	£'000	£'000	£'000
Barnet	(1,109)	17,575	16,466
Camden	(478)	8,709	8,231
Enfield	(1,089)	14,206	13,116
Hackney	(609)	11,195	10,587
Haringey	(621)	11,395	10,773
Islington	(313)	9,024	8,711
Waltham Forest	(303)	11,705	11,402
Total	(4,522)	83,808	79,286

APPENDIX C: TABLE C1 – 2025/26, 2026/27 & 2027/28 Budget Forecast

	2025/26 Draft Budget	2026/27 Budget Forecast	2027/28 Budget Forecast
	£'000	£'000	£'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	49,175	50,651	52,170
Composting Waste Services	1,584	1,632	1,681
MRF Services	14,167	14,592	15,029
Transfer Station and Other Sites	10,267	10,575	10,893
Corporate and Other Support Service Costs	5,745	5,723	5,894
Waste Prevention and Communications Programme	737	750	762
Recycling Initiatives	211	218	224
Carbon Capture	899	925	953
North London Heat and Power Project	656	676	696
Revenue Funding – Capital Programme	16,023	16,252	16,447
	99,464	101,992	104,750
Additional LEL Support			
LEL Support	7,000	7,000	7,000
Release of Maintenance Provision	(5,000)	0	0
	2,000	7,000	7,000
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,373	1,414	1,456
Operating Costs	5,137	5,291	5,450
	6,510	6,705	6,906
Income			
Rents	(161)	(165)	(170)
Sale of Recyclates	(6,312)	(6,501)	(6,696)
Interest on Balances	(203)	(209)	(216)
Miscellaneous Income	0	0	0
	(6,676)	(6,876)	(7,082)
Net Expenditure	101,298	108,821	111,574
Contingency	2,910	2,936	4,305
Total Net Expenditure	104,208	111,757	115,879
Financed By			
Use of Balances	(4,164)	0	0
Charges to Boroughs (Non-household waste)	(12,051)	(13,065)	(13,385)
Charges to Boroughs (Chargeable Household Waste)	(1,840)	(1,997)	(2,046)
2024/25 Levy - Base Element	(79,286)	(89,990)	(93,542)
- RRC Element	(6,868)	(6,705)	(6,906)
Total Levy	(86,154)	(96,695)	(100,448)
Total Resources Available	(104,208)	(111,757)	(115,879)
Estimated Additional Revenue Balances at 31 March	0	0	0