

NORTH LONDON WASTE AUTHORITY

REPORT TITLE	
2015/16 SECOND BUDGET REVIEW	
REPORT OF	
FINANCIAL ADVISER	
FOR SUBMISSION TO	DATE
AUTHORITY MEETING	25 SEPTEMBER 2015
1. SUMMARY OF REPORT	
<p>This report is the second in the current year on the Authority's finances. It concludes that the Authority is forecast to have a revenue surplus of £7.764m at 31 March 2016, i.e. an increase of £0.836m compared with the first budget review.</p> <p>The forecast for residual waste tonnage has been lowered in the current year by 1.28% compared to budget. While not significant in overall terms, this reduces the forecast for waste disposal and landfill tax expenditure by £0.519m.</p> <p>The cost of financing the Authority's capital expenditure has been reviewed and savings of £0.680m in the current year and recurring savings of £0.181m have been identified.</p> <p>The Reuse & Recycling Centre (RRC) at Summers Lane in Barnet will transfer to the Authority on the 4th October this year. The cost of running the RRC has been included in this budget review, increasing this year's costs by £0.363m</p> <p>A further review of the 2015/16 budget together with an up-to-date detailed assessment of the budget and resource requirements for 2016/17 reflecting the expected new contractual arrangements will be reported to the Authority in December.</p>	
2. RECOMMENDATIONS	
<p>The Authority is requested to note:-</p> <ul style="list-style-type: none">(i) The second review of the 2015/16 revenue budget.(ii) That a third review of the 2015/16 budget will be reported to the Authority meeting in December together with an up-to-date assessment of the budget and resource requirements for 2016/17.	
Signed by the Financial Adviser	
Agreed by Mike O'Donnell	
Date: 16 September 2015	

3. **Introduction**

- 3.1 At the February budget setting meeting the Authority agreed to retain balances of £3.632m to help fund the 2016/17 budget. At the Authority meeting in June, Members were advised that the 2014/15 outturn resulted in a revenue surplus of £3.479m at 31 March 2015. I also advised that the first review of the 2015/16 budget indicated that a small overall over-spend of £0.183m could be expected.

	£m
Higher level of balances brought forward from 2014/15	(3.479)
Slippage from 2014/15 of Reuse and Recycling Centre improvement works	0.043
Slippage from 2014/15 of sites and planning process costs	0.292
Savings in borrowing costs	(0.152)
Total	(3.296)

- 3.2 Taken as a whole therefore, it was estimated that balances at 31 March 2016 would be £6.928m. As a result of the second review, forecast revenue balances at the year-end are now estimated to increase by a further £0.836m to £7.764m. This report provides details of the main changes and other issues that have arisen since the June meeting.

4. **Second Budget Review**

4.1 **Transport, Disposal and Landfill Tax: (- £0.519m)**

- 4.1.1 The 2015/16 budget was prepared against a background of year on year reductions in residual waste tonnage but with evidence that the rate of slowdown was falling and that tonnages could begin rise. Accordingly an allowance for growth was factored into the calculations. Taking this into account, the 2015/16 budget for treating residual waste was based on 596,727 tonnes.
- 4.1.2 Based on April to June tonnage and trends seen in recent years, 2015/16 forecast residual tonnage compared with 2014/15 levels for each borough may be summarised as follows:-

Table 1	September Forecast (Second Review)
	%
Barnet	- 0.25
Camden	- 2.25
Enfield	+ 2.57
Hackney	- 0.30
Haringey	- 1.09
Islington	+ 2.78
Waltham Forest	- 1.71
Overall Position	- 0.04

- 4.1.3 The figures in table 1 reveal a mixed picture at a borough level but the trend of declining overall volumes has slowed. In preparation for the forthcoming budget process the Authority will liaise with borough officers to determine whether the early year waste stream

changes are likely to continue for the remainder of the year and beyond. The outcome of this review together with an up-to-date assessment by boroughs of their recycling ambitions will help inform an assessment of the impact that this could have on the Authority's 2016/17 waste treatment services and budget requirements. Conclusions from these discussions will be reported to the December meeting of the Authority as part of the detailed update on 2016/17 budget prospects. For this review however since the forecast above is based on statistics from years when tonnages were falling it would be prudent to factor in an allowance for growth. Based on the June data, borough forecasts of their own recycling activity and a prudent assumption of underlying waste growth, total residual tonnage for 2015/16 is forecast to be 589,116 i.e. 7,611 tonnes (1.28%) less than budget. The saving in treatment costs and Landfill Tax in 2015/16 is estimated to be £0.519m.

4.2 Summers Lane Reuse and Recycling Centre: (+£0.363m)

The Authority will take over the management of this centre from London Borough of Barnet in October 2015. No provision was included in the Authority's 2015/16 budget for the costs that it will incur in operating the centre for the remaining six months of the year. The Authority will retain the expenditure incurred in 2015/16 as a balance at 31 March 2016 and will factor these costs into Barnet's RRC levy for 2016/17.

4.3 Revenue Funding – Capital Programme: (-£0.680m)

- 4.3.1 This budget provides for the revenue cost of financing the Authority's capital programme. The borrowing requirements have been reviewed, saving £0.445m this year. The purchase of Western Road RRC from LB Haringey has not yet been completed, saving £0.235m in combined interest and Minimum Revenue Provision.

- 4.4 A summary of the current position is included at appendix 1.

5. Review of the Outlook for 2016/17, 2017/18 and 2018/19

- 5.1 The changes to the budget that have been presented in both the first and second reviews have all been one off in nature with the exception of the changes to the Authority's borrowing requirements and the transfer of the Summers Lane RRC to the Authority. The latter is anticipated to have a full year cost in the region of £0.751m per annum. This is partially offset by the refinancing of a loan which creates in a recurring saving of £0.181m per annum. The slight drop in residual waste may well create a similar saving in future years. The likelihood of this will be included in the next review when further data is available.

- 5.2 The second budget review currently envisages that the Authority could have revenue balances of £4.132m in addition to the budgeted balance of £3.296m to assist with the funding of future years. A more detailed view of future years will be presented to the December meeting.

6. Conclusion

- 6.1 Subject to member decisions, the improvement in the revenue balance at 31 March 2015 and the variations included in this review indicate that the Authority's reserves at the end of March 2016 will have increased by £0.836m from the first review to £7.764m.

7. **Comments of the Legal Adviser**

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

Local Government Act 1972 - Section 100 as amended

Documents used in the preparation of this report: -
Reports to the Authority 12 February 2015 and 25 June 2015
2015/16 budgetary control working papers

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Appendix 1

	2015/16 Original Budget	2015/16 First Review	2015/16 Second Review	Variance Between 1st & 2nd Review
	£'000	£'000	£'000	£'000
Expenditure				
Main Waste Disposal Contract (ex CA Waste)	25,305	25,305	25,082	(223)
Civic Amenity Waste	1,472	1,472	1,472	0
Landfill Tax	9,058	9,058	8,762	(296)
Composting Services	2,480	2,480	2,480	0
MRF Services	6,362	6,362	6,362	0
Transfer Stations and Other Sites	1,516	1,516	1,516	0
Household Waste Recycling Centres	2,523	2,566	2,929	363
Corporate and other Support Service Costs	2,611	2,611	2,611	0
Operations Team	544	544	544	0
Waste Reduction Programme – New Initiatives	373	373	373	0
Technical and Planning Team	479	479	479	0
Joint Communications Initiative	305	305	305	0
Recycling Initiatives	305	305	305	0
Commingle Income Payment Scheme	2,370	2,150	2,150	0
Sites and Planning Process Costs	3,566	3,858	3,858	0
Next Steps – Strategy and Options Review	250	250	250	0
Revenue Funding – Capital Programme	7,906	7,754	7,074	(680)
	67,425	67,388	66,552	(836)
Income				
Rents	(107)	(107)	(107)	0
Sale of Recyclates	(2,370)	(2,150)	(2,150)	0
Interest on Balances	(55)	(55)	(55)	0
Estimated Dividend Stream (LondonWaste Ltd)	(1,000)	(1,000)	(1,000)	0
	(3,532)	(3,312)	(3,312)	0
Net Expenditure	63,893	64,076	63,240	(836)
Contingency	2,280	2,280	2,280	0
Total Net Expenditure	66,173	66,356	65,520	(836)
Financed By:				
Balances b/fwd	(8,311)	(11,790)	(11,790)	0
Charges to Boroughs (Non-household waste)	(9,607)	(9,607)	(9,607)	0
Charges to Boroughs (Household waste)	(1,803)	(1,803)	(1,803)	0
Levy – Base Element	(43,629)	(43,629)	(43,629)	0
Levy – HWRC Element	(2,823)	(2,823)	(2,823)	0
Total Resources Available	(66,173)	(69,652)	(69,652)	0
Forecast Balances at 31 March 2016	0	(3,296)	(4,132)	(836)
Retained Balances	(3,632)	(6,928)	(7,764)	(836)