

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: 2020/21 BUDGET UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 3 DECEMBER 2020

SUMMARY OF REPORT:

This report provides an update on the Authority's finances and forecast outturn at the end of March 2021. In addition, it provides a bottom-up assessment of the budget and resource requirements for 2021/22 and considers the balances that may be available to support the 2021/22 levy. A further review of costs will be undertaken in advance of the next Authority meeting in February 2021, at which the budget is set.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Note this review of the 2020/21 revenue budget.
- B. Note the current assessment of the budget and resource requirements for 2021/22 and the factors that could affect the level of the 2021/22 levy.
- C. Note the issues that will need to be addressed in setting the budget and levy for 2021/22 at the Authority meeting on 11 February 2021.

SIGNED: Jon Rowney, Financial Adviser

DATE: 23 November 2020

1. INTRODUCTION

- 1.1. This report contains the third budget review for 2020/21. It also sets out the current assessment of the levy requirement for 2021/22, the anticipated levy arrangements based on that current assessment, and a note of the issues to be addressed at the Authority meeting in February 2021 when the budget and levy will be set.
- 1.2. Tables detailing the 2020/21 forecast outturn and 2021/22 budget forecast are set out in Appendices A and B, respectively. The Appendices also contain analyses of some key budget elements including the forecast balances. The background and supporting notes are provided in the body of the report.
- 1.3. The report concludes that the Authority is currently forecast to have a revenue surplus of £3.491m at 31 March 2021. This is an improvement on the forecast of £1.813m, compared with the update to the September Authority meeting.
- 1.4. A bottom-up assessment of the forecast budget requirement for 2021/22 indicates that on a like on a like-for-like basis, the net budget requirement is forecast to be £73.558m. This represents an increase in net expenditure of 2.46% compared to the 2020/21 budget.
- 1.5. Balances forecast to be available at 31 March 2021 that might be used to support the 2021/22 levy are forecast to be £3.491m. This is materially lower, by 37%, compared to the balance of £5.540m than was available to reduce the 2020/21 levy. Taking these balances into account, the total levy for 2021/22 is currently forecast to be £60.840m consisting of a base element of £55.687m and a Reuse and Recycling Centre (RRC) element of £4.653m. This represents an increase of 9.26% on 2020/21
- 1.6. The types of waste collected have significantly changed in the current year. Taking the Authority as a whole there has generally been a reduction in commercial waste and an increase in household waste. The latter is funded through the levy and has meant that balances available to reduce the levy are significantly lower than in previous years. Therefore, the overall levy is forecast to increase by 9.26%. The table below shows the changes by boroughs between years. Before balances are taken into account, the overall levy increase would be 5.04%, however once the reductions in balances arising in 2021/22 as a result of the changes in tonnages due to COVID-19 are included, the levy increases by 9.26%.

	Forecast Levy before balances			Balances available			Forecast Levy after balances		
	2020/21	2021/22	Increase/ Decrease	2020/21	2021/22	Increase/ Decrease	2020/21	2021/22	Increase/ Decrease
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Barnet	13,054	14,210	8.86%	(704)	(309)	-56.11%	12,350	13,901	12.56%
Camden	6,574	6,123	-6.86%	(879)	(1,270)	44.48%	5,695	4,853	-14.78%
Enfield	7,604	7,845	3.17%	(598)	(599)	0.17%	7,006	7,246	3.43%
Hackney	8,120	8,735	7.57%	(1,044)	(55)	-94.73%	7,076	8,680	22.67%
Haringey	8,721	9,377	7.52%	(714)	(316)	-55.74%	8,007	9,061	13.16%
Islington	7,029	7,160	1.86%	(665)	(792)	19.10%	6,364	6,368	0.06%
Waltham Forest	9,666	10,381	7.40%	(936)	(150)	-83.97%	8,730	10,231	17.19%
	60,768	63,831	5.04%	(5,540)	(3,491)	-36.99%	55,228	60,340	9.26%

1.7. The Member Finance Working Group met on 13 November and discussed the emerging tonnage forecasts. The Working Group will have a further opportunity to examine the assumptions underpinning the current budget forecast and the levy options at its meeting in January 2021.

1.8. Further work will be carried out, with continuing close liaison with boroughs, the outcome of which will be to produce updated budget proposals for this review together with up-to-date advice on the Authority's budget and resource requirements for 2021/22. This will be reported to the budget and levy setting meeting in February 2021. 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 at the budget and levy setting meeting in February.

2. UPDATE ON THE 2019/20 AUDIT OF THE STATEMENT OF ACCOUNTS

2.1. The timetable for the production and audit of the 2019/20 financial statements was amended by the Accounts and Audit (Coronavirus)(Amendment) Regulations 2020. These changed the deadline for publishing draft accounts from 31 May 2020 to 31 August 2020 and the subsequent deadline for Audit of the statement was changed from the 31 July 2020 to 30 November 2020. The regulations require that if the audit extends past this deadline, a notice stating the reasons for the delay should be published on the Authority's website and that a Meeting of the Audit committee should take place as soon as reasonably practical after the Auditor has submitted their report.

2.2. Draft accounts were submitted for audit and published on the Authority's website in August. The Audit of the financial statements has now commenced; however this is moving at a slower pace given the second lockdown and continued remote working. As a result, a draft audit report is not yet ready to be issued and officers will continue to work with the auditors, Mazars, to resolve outstanding areas of work.

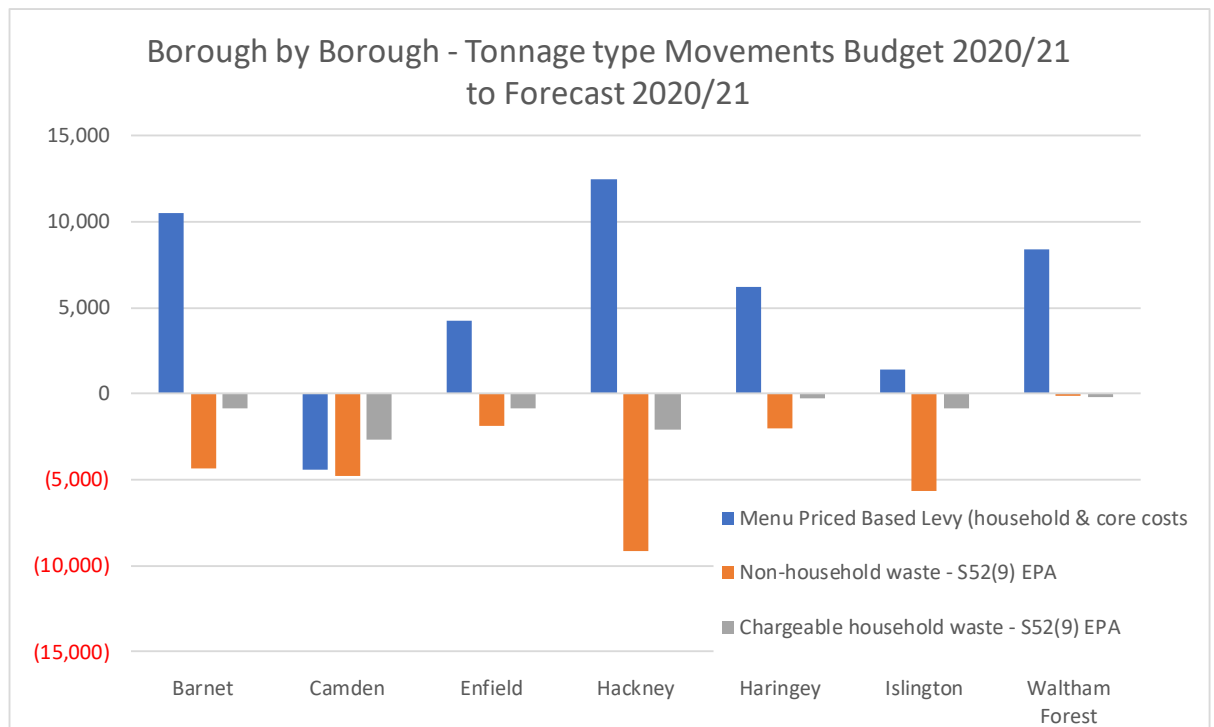
- 2.3. The Audit Committee meeting that was to take place on 25 November 2020 will be rescheduled as soon as practically possible, once a report is available. The Authority uses the financial systems of the London Borough of Camden and both organisations have the same auditors. Camden have deferred their Audit Committee to early January. We would expect the Authority Audit Committee to be planned for around this time.

3. REVIEW OF THE 2020/21 REVENUE BUDGET

- 3.1. At the Authority meeting in September, Members were advised that lockdown and wider subsequent precautions across society, as a result of the COVID-19 pandemic, had changed the volumes and types of wastes delivered to the Authority and that increased levels of household waste had increased costs. Despite this, balances that had arisen since the budget was set in February 2020 stood at £1.678m. Subject to further changes, this balance would be available to support the 2021/22 budget and levy.
- 3.2. Lockdown and wider subsequent precautions across society have been the driver of changes in residual and recycling waste streams. Overall, across the Authority area there has been an increase in household waste (collected at the kerbside). At the same time there has been a reduction in chargeable household waste (borough collected waste from educational and healthcare establishments, for example) and a reduction in non-household waste (borough collected commercial waste). The most recent data has shown this to be a continuing trend, with non-household waste especially, dropping even further. The extent of changes has been far from uniform across the seven boroughs.
- 3.3. To inform this report, tonnages have been reviewed by Authority officers, using actual tonnages to the end of September, forecasting to the end of the year and looking forward for a further year (2021/22). These tonnages have been discussed with officers from all seven boroughs, as conditions and collection strategies are different in each borough and the recovery of the non-household (commercial) waste stream in particular will be dependent on the proportion of different types of commercial premises in each borough. These tonnages have also been shared with borough Directors.
- 3.4. The table below shows the increase or decrease in the total waste tonnages (residual, mixed dry recycling, food, green and mixed food & green) for each borough, compared to the budget approved in February 2020. These have been split between household waste and the combined tonnages for chargeable household and non-household residual waste.

	Full Year Tonnage Figures			Variances Tons	Variances %age
	Budget 2020/21	Forecast Q2 2020/21	Forecast Q3 2020/21	q3 vs initial budget	q3 vs initial budget
Barnet					
Menu Priced Based Levy (household & core costs)	132,194	133,518	142,686	10,492	7.94%
Non-household waste - S52(9) EPA	11,700	10,023	7,328	(4,372)	-37.37%
Chargeable household waste - S52(9) EPA	2,280	1,948	1,428	(852)	-37.35%
Barnet Overall	146,174	145,489	151,442	5,268	3.60%
Camden					
Menu Priced Based Levy (household & core costs)	64,340	63,439	59,932	(4,408)	-6.85%
Non-household waste - S52(9) EPA	26,823	23,525	22,063	(4,759)	-17.74%
Chargeable household waste - S52(9) EPA	5,689	4,883	3,025	(2,664)	-46.82%
Camden Overall	96,852	91,847	85,021	(11,831)	-12.22%
Enfield					
Menu Priced Based Levy (household & core costs)	78,326	81,029	82,564	4,238	5.41%
Non-household waste - S52(9) EPA	9,625	7,906	7,748	(1,877)	-19.50%
Chargeable household waste - S52(9) EPA	1,431	1,145	572	(859)	-60.00%
Enfield Overall	89,382	90,080	90,884	1,502	1.68%
Hackney					
Menu Priced Based Levy (household & core costs)	84,813	96,445	97,272	12,459	14.69%
Non-household waste - S52(9) EPA	22,717	16,679	13,575	(9,142)	-40.24%
Chargeable household waste - S52(9) EPA	6,820	4,648	4,747	(2,073)	-30.39%
Hackney Overall	114,350	117,772	115,594	1,244	1.09%
Haringey					
Menu Priced Based Levy (household & core costs)	88,060	94,457	94,267	6,207	7.05%
Non-household waste - S52(9) EPA	4,086	3,321	2,105	(1,980)	-48.47%
Chargeable household waste - S52(9) EPA	2,881	2,641	2,581	(301)	-10.43%
Haringey Overall	95,027	100,419	98,953	3,926	4.13%
Islington					
Menu Priced Based Levy (household & core costs)	64,902	65,600	66,301	1,399	2.16%
Non-household waste - S52(9) EPA	30,104	28,335	23,478	(6,626)	-22.01%
Chargeable household waste - S52(9) EPA	3,459	3,331	2,629	(830)	-23.98%
Islington Overall	98,465	97,265	92,408	(6,057)	-6.15%
Waltham Forest					
Menu Priced Based Levy (household & core costs)	91,452	100,602	99,830	8,378	9.16%
Non-household waste - S52(9) EPA	1,248	1,112	1,119	(129)	-10.36%
Chargeable household waste - S52(9) EPA	184	-	-	(184)	-100.00%
Waltham Forest Overall	92,884	101,714	100,948	8,065	8.68%

In addition, the graph underneath shows how tonnage in 2020/21 is expected to vary from budget. This provides information by borough and waste type. This is based on six months of actual data and six months of forecasts assessed with boroughs.



3.5. The net effect of the forecast compared to budget, reduces the amount of income that is received from charges and increases the amount of income that is attributable to the levy. This increase in the levy-related cost eats into the balances available to the Authority to offset against the 2021/22 levy. Although balances available for 2021/22 are forecast to increase by £1.813m to £3.491m, the balances are 37% lower than those used to reduce the levy in 2020/21.

4. CURRENT YEAR FINANCIAL SAVINGS AND PRESSURES

4.1. This forecast has identified further savings in net expenditure of £3.657m when compared to the previous forecast produced in September, as shown in Table A1 in Appendix A. The following paragraphs address significant changes that have been identified in this forecast and where necessary, any mitigating actions.

Transport and Disposal: (-£0.684m)

4.2. The finance update report to the September authority meeting included the impact of significant growth in waste to the cost of transport and disposal. Changes in tonnages are mainly COVID-19 related as the proportions of residual waste received from boroughs has changed compared to the September review. However, with additional data in the intervening period and with further work with boroughs, the expectation now is that residual waste will be in line with initial forecasts at the start of the year, albeit with variations between categories as described in sections 3.2 to 3.4. This can be seen in Table A2 in Appendix A.

- 4.3. The latest residual waste forecast includes a reduction in residual levy driven tonnage compared to the September forecast by 6,300 tons, non-household tonnage drops compared to prior forecast by 12,300 tons and Chargeable household decreases by 3,100 tons.
- 4.4. The reduced residual tonnage has resulted in the Authority being able to send more tonnage from Hendon to Edmonton and less tonnage to disposal via a third party at Greatmoor. The net result is that both Hendon and Edmonton costs decrease in year overall by £0.643m.
- 4.5. The reduced tonnage has had an effect in reducing the landfill tax claim and electricity income claims by a combined £0.162m compared to the prior quarter.
- 4.6. Contaminated recycling also plays a part in the cost of disposal as there is still quite a large proportion of contaminated loads which are being disposed of as residual waste. The forecast is now showing an increase of £0.072m which reflects current trends at the Materials Recycling Facility and also reflects contaminated waste identified at the transfer stations.

Biodegradable Waste Services: (+£0.399m)

- 4.7. There has been an increase in biodegradable tonnage since the September report with green waste increasing by 6,290 tonnes and mixed food and green waste increasing by 3,344 tonnes. The forecast for separated food waste fell by 876 tonnes.

Materials Recycling Facility (MRF) Services (-£0.331m)

- 4.8. The forecast for mixed dry recycling (MDR) tonnage has increased by 3,634 tonnes. The increase in tonnages reflects the fact that an increased proportion of the population have been at home during lockdown.
- 4.9. MDR shows a drop in costs on prior forecast which is reflective of better recycling rates between quarter 1 and quarter 2 which have been reflected in the full year out turn. There are also lower LondonEnergy Ltd (LEL) transport and bulking costs which filters into the out turn

Transfer Station and Other Sites (-£1.177m)

- 4.10. A rent review on the transfer station at Hendon was due in 2014. Following the recent sale of the freehold to a new landlord, the funds that had been set aside to pay for the portion of the increase related to previous years, from 2014, have been released (£0.790m).

- 4.11. A lifecycle review of the Hornsey Street transfer station is due but is unlikely to be completed in the current financial year and the budget of £0.220m has been transferred to 2021/22.

Corporate and Other support services (-£0.291m)

- 4.12. A full review of staffing vacancies, running costs and other corporate overheads has identified an underspend in year.

North London Heat & Power Project (-£0.663m)

- 4.13. A full review of costs in year has identified that further costs can be capitalised, generating a saving.

Reuse and Recycling centres (RRCs) (-£0.144m)

- 4.14. A further reduction in RRC residual waste processed through the site results in lower tonnage and landfill tax charges to the tune of £0.068m. In addition, operating costs at the RRC which includes haulage and disposal of recyclates and revenue from the subsequent onward sale show an overall reduction in net cost of £0.076m.

Income from sale of Recyclates (-£0.050m)

- 4.15. Despite achieving a good price in the second quarter, (as reported in September), prices in the third quarter have fallen back to the budgeted £20 per tonne and this has been used to forecast the final quarter. The table below shows the rates received for the first 3 quarters of 2020/21,

Net BASKET PRICE 2020/21

Quarter 1 Actual £19.91

Quarter 2 Actual £31.90

Quarter 3 Actual £19.70

Contingency (-£0.500m)

- 4.16. There has been no call on contingency in year so far. Contingency has therefore been reduced to reflect this.

Charges to Boroughs for Non-Household Waste: (+£1.490m)

- 4.17. In the light of borough tonnage declarations, non-household residual waste is currently forecast to be 67,390 tonnes, i.e. a decrease of 13,407 tonnes compared with the second review figure of 80,797 tonnes. The declared 10,025 tonnes of recyclable waste represents a decrease of 1,232 tonnes compared with the September update figure of 11,257 tonnes. Based on the declarations it is

estimated that income will be lower than the September review at £6.351m in 2020/21. Overall tonnages remain around a third lower than the forecasts on which the 2020/21 budget was set. Boroughs make on-account payments to the Authority during the year based on the original estimate. Any additional sums due or refunds are determined as part of the 2020/21 final accounts process. An analysis by borough is provided in Table A9 in Appendix A. The table indicates that all boroughs could receive a refund from the Authority for this category of waste.

Charges to Boroughs for Chargeable Household Waste: (+£0.354m)

- 4.18. The latest declarations by the boroughs indicate a small decrease of 3,179 tonnes to 11,956 in residual tonnage and a 439 tonne decrease in recyclable tonnage to 3,027 compared with the October update. Overall tonnages remain around a third lower than the forecasts on which the 2020/21 budget was set. Estimated charges are shown in Table A10 in Appendix A. All boroughs could receive a refund from the Authority for this category of waste.

Balances at 31 March 2021

- 4.19. 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. 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.
- 4.20. Tables A7 and A8 in Appendix A show how in-year levy balances might be apportioned (based on current forecast) between the boroughs and used to reduce the levy when the Authority determines its 2021/22 levy in February 2021.

Overview

- 4.21. Allowing for the factors outlined above, the total net expenditure in 2020/21 for the Authority is estimated to be £67.734m. This represents a decrease of £3.657m compared with the September update. Taking into account a decrease in non-household and household charges since September of £1.844m, the net revenue surplus at 31 March 2021 is forecast to be £3.491m, i.e. an increase of £1.813m since the September review.

5. REVIEW OF THE BUDGET FOR 2021/22

- 5.1. When setting the levy for 2020/21, no balances were forecast as being available to support the 2021/22 budget and levy. Taking this into account, the levy was forecast to increase by 15.46% in 2021/22. Since then, revenue balances at 31 March 2020 improved by £2.903m. In addition, reviews of the 2020/21 budget have identified that revenue balances at 31 March 2021 could increase by a further £0.588m to £3.491m.

- 5.2. The Authority's net expenditure is forecast to be £73.558m for the year. This is 2.46% higher than the 2020/21 budget. The following paragraphs set out the underlying assumptions and discuss significant issues and variances. The budget for 2021/22 compared to 2020/21 is laid out in Appendix B at Table B1. Many budget areas are demand-driven in that they depend on the volume of waste and contractual cost rates.

Inflation

- 5.3. The largest of the Authority's contracts, the contact with LondonEnergy Ltd, is linked to changes in the Retail Price Index (RPI) with the most significant of these linked to the December index. The summary of independent forecasts published by HM Treasury in October 2020 puts the December 2019 annual RPI increase at 1.25% and the budget forecast currently reflects this level of increase in the relevant costs plus a further 2.6% inflation increase in December 2021. Inflation assumptions will be reviewed and updated for the February budget and levy meeting.

Transport & Disposal

- 5.4. Transport and disposal assumptions for tonnage forecasts are based on a residual waste stream that will continue to be higher than historic levels due to COVID-19 impacts outlined in paragraph 3.2. However, tonnages in 2021/22 include assumptions that these impacts will lessen over the year as behaviours begin to return to normal, businesses and shops are open, and the public spend less time at home. These tonnages have been reviewed with borough officers and the impacts are therefore tailored to each borough's circumstances.
- 5.5. The forecast includes 582,717 tonnes of residual waste, 8,901 tonnes higher than the forecast 2020/21. A breakdown by borough is included in table B2 in appendix B. The tonnage increase is driven mainly by assumptions around improving or recovering tonnages of residual non-household waste (11,849 tonnes) and chargeable household waste (5,132 tonnes). The underlying levy driven residual tonnage drops by 8,079 which is a mixture of service changes and COVID-19 driven reduction.
- 5.6. The Authority is working with LondonEnergy Ltd to transition to the Wembley transfer station. The forecast includes an assumption that using Wembley will result in more tonnage going to the energy centre at Edmonton rather than to third parties which will drive price savings. This is as a result of capacity at Edmonton being available as less Hertfordshire waste will be treated and because it is practicable to transport increased volumes of waste from Wembley as compared with Hendon.

- 5.7. The electricity income claim and landfill tax claim have been verified to the LEL budget and workings and are reflective of the throughput that can be achieved. The government has advised that landfill tax rates will rise from £94.15 per tonne to £96.70 from April 2021.

Organic waste and MRF Services

- 5.8. The budget forecast reflects that food and organic waste tonnages will increase by 4% to 44,794 tonnes in 2021/22 compared to the 2020/21 budget as laid out in tables B3 to B5 in Appendix B. The largest driver of this increase is the resumption of green waste collections in Barnet, which was announced after the 2020/21 budget was set.
- 5.9. Mixed dry recycling tonnages increase by 396 tons compared to the 2020/21 forecast as laid out in Table B6 in Appendix B. These tonnages include an estimated reduction for recycling that is too contaminated to be recycled when delivered to the materials recycling facility.

Transfer Stations

- 5.10. The costs for 2021/22 include a full year of Wembley operation which is being closely monitored in terms of set up, and the closure of the Hendon transfer station. The Lifecycle review at Hornsey Street is forecast to be completed in the year .

North London Heat & Power Project

- 5.11. The budget forecast includes the ongoing feasibility, design and support costs for the North London Heat and Power Project that cannot be capitalised. All costs that can be capitalised will be funded by borrowing and interest will be added to project costs during the construction period.

Revenue Funding of the Capital Programme

- 5.12. The budget forecast provides for the financing costs of:
- 5.12.1. The Authority's investment in LondonEnergy Ltd
 - 5.12.2. Pinkham Way
 - 5.12.3. Lease of laydown area, part of the EcoPark and the purchase of Deephams Farm Road to support the North London Heat and Power project.
 - 5.12.4. The possible refurbishment of RRC sites
 - 5.12.5. The possible investment in a waste transfer station

- 5.13. The Authority also makes a Minimum Revenue Provision (MRP). 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.
- 5.14. The costs of borrowing for the North London Heat and Power Project (NLHPP) are rolled into the capital cost until the asset comes into use. Therefore, the impact of borrowing for the EcoPark South construction contract and associated costs will not be budgeted under this heading until completion.

Reuse & Recycling Centres

- 5.15. The budget provides for the operation of seven Re-use and Recycling Centres. The tonnage levels increase in 2021/22 by 2,060 tons on the residual waste side and by 7,000 tonnes of recyclates. This is reflective of service returning to normal levels.
- 5.16. The amounts charged to the relevant boroughs through the 2021/22 levy will also allow for the change in balances that arose from the closure of the 2019/20 accounts and forecast changes in balances from 2020/21. An analysis by borough of these costs is provided in Table B7 in Appendix B.

Income from the Sale of Recyclates

- 5.17. In view of recent sale prices, the 2021/22 budget forecast includes assumptions about the new arrangements and is based on an average per tonne income of £20.00

Non-Household Waste Charges

- 5.18. The Authority is expecting to receive 92,463 tonnes of residual waste and recycling in 2021/22, an increase of 15,048 tonnes compared to the forecast for 2020/21. The 2021/22 tonnages comprises 79,239 tonnes of residual waste, 385 tonnes of organic waste, 11,473 tonnes of dry recyclable waste, 1,299 tonnes of food waste and 67 tonnes of green waste.
- 5.19. The estimated charges per tonne of waste are included in table 3 below. The charge for dry recyclable waste is inclusive of the income the Authority receives through the income sharing arrangements with its MRF providers.
- 5.20. Based on the advised tonnages the estimated cost to the boroughs is £7.954m. This is analysed by borough in Table B9 in Appendix B.

Table 3	Price Per tonne £
Residual	89.14
Biodegradable	64.80
Green	48.72
Food	26.91
Mixed Dry Recyclable	72.19

Chargeable Household Waste

- 5.21. The Authority is expecting to receive 20,997 tonnes of chargeable household waste in 2021/22, an increase of 6,014 tonnes compared to the forecast for 2020/21. The 2021/22 tonnage comprises 17,088 tonnes of residual waste, 2,509 tonnes of dry recyclable waste, 827 tonnes of biodegradable waste, and 569 tonnes of food waste and 4 tonnes of green waste.
- 5.22. The estimated charges per tonne of waste are included in Table 3 above. The charge for dry recyclable waste is inclusive of the income the Authority receives through the income sharing arrangements with its MRF providers.
- 5.23. Based on the advised tonnages the estimated cost to the boroughs in 2021/22 is £1.773m. The cost is analysed by borough in Table B10 in Appendix B.

Efficiency Savings and Cost Reductions

- 5.24. 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, that the scope to make savings is limited. Despite these limitations, the officers are reviewing costs to identify savings within the budget and medium-term forecast.

Contingency

- 5.25. There is a high degree of uncertainty about the scale of a number of budget pressures in the coming year. At this stage the budget assumes that contingency is assessed on the same basis as recent years, namely a contingency of £1m be reserved for the NLHPP budget and related matters in addition to a 2% operational base contingency provision of £1.814m. This budget cannot be used without further Authority approval.

Levy Apportionment Arrangements

- 5.26. All boroughs formally agreed to adopt a menu-price based levy for 2016/17 onwards. Details of the calculation for 2021/22 can be found in Tables B7 and B8 in Appendix B.

6. MEDIUM TERM BUDGET FORECAST FOR 2022/23 TO 2024/25

- 6.1. Assuming that no balances are available to support budgets for these years, net expenditure and levies are forecast as follows:

	Net Expenditure £'000	Base Levy £'000	RRC Levy £'000	Total £'000	Increase %
2022/23	77,004	61,525	5,168	66,693	10.53
2023/24	88,135	70,760	5,297	76,057	14.04
2024/25	89,559	71,898	5,429	77,327	1.67

- 6.2. The increases in net expenditure in 2022/23 and 2023/24 are driven largely by the opening of the Resource Recovery Facility (RRF) in the autumn of 2022 and the inclusion of financing costs which to the point of opening, will have been capitalised.

7. CONCLUSION

- 7.1. This update indicates that the 2020/21 budget remains sufficiently robust to meet the cost of the Authority's waste disposal obligations in the current year and balances at 31 March 2020 are likely to be £3.491m higher than was assumed when the budget was set in February 2020. There is no certainty that any further balances will emerge in 2020/21 and the forecast levy for 2022/23 to 2024/25 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 2021 it will be necessary for Members to take decisions to ensure that the 2021/22 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 2020 to review the assumptions underpinning the 2021/22 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 2021/22 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 13 February 2020 – Revenue Budget and Levy 2020/21

Report to the Authority 25 June 2020 – 2019/20 Financial Outturn and 2020/21 Update

Report to the Authority 24 September 2020 – 2020/21 Budget Update

2020/21 budgetary control and 2021/22 budget working papers

Contact officer:

Paul Gulliford
Unit 1b Berol House
25 Ashley Road
London N17 9LJ
020 8489 5833
paul.gulliford@nlwa.gov.uk

APPENDIX A FINANCIAL TABLES TO SUPPORT THE REPORT

Table A1 shows the variance between the October update and the current forecast

Table A1	2020/21 Budget	2020/21 September Forecast	2020/21 Current Forecast	Variance
	£'000	£'000	£'000	£'000
Expenditure				
Main Waste Disposal Contract (ex RRC Waste)	38,766	39,683	39,065	(618)
Landfill Tax	1,438	1,510	1,444	(66)
Biodegradable Waste Services	1,707	1,359	1,758	399
MRF Services	10,012	9,890	9,559	(331)
Transfer Station and Other Sites	1,904	2,478	1,301	(1,177)
Corporate and Other Support Service Costs	2,994	2,915	2,624	(291)
Strategy & Services Team	601	616	567	(49)
Waste Prevention Programme	519	437	461	24
Joint Communications Initiative	200	200	100	(100)
Recycling Initiatives	246	184	71	(113)
North London Heat and Power Project	1,414	1,414	751	(663)
Revenue Funding – Capital Programme	6,912	6,258	6,179	(79)
	66,713	66,944	63,880	(3,064)
Reuse and Recycling Centres Expenditure				
Residual Waste	876	750	689	(61)
Landfill Tax	123	104	97	(7)
Operating Costs	3,750	3,571	3,495	(76)
	4,749	4,425	4,281	(144)
Less				
Income				
Rents	(121)	(121)	(121)	0
Sale of Recyclates	(2,291)	(2,596)	(2,546)	50
Interest on Balances	(40)	(40)	(40)	0
	(2,452)	(2,757)	(2,707)	50
Net Expenditure	69,010	68,612	65,454	(3,158)
Contingency	2,779	2,779	2,280	(499)
Total Net Expenditure	71,789	71,391	67,734	(3,657)
Financed By				
Use of Balances	(5,540)	(8,443)	(8,443)	0
Charges to Boroughs (Non-household waste)	(9,105)	(7,842)	(6,352)	1,490
Charges to Boroughs (Chargeable Household Waste)	(1,915)	(1,555)	(1,201)	354
2020/21 Levy - Base Element	(50,345)	(50,345)	(50,345)	0
- HWRC Element	(4,884)	(4,884)	(4,884)	0
Total Levy	(55,229)	(55,229)	(55,229)	0
Total Resources Available	(71,789)	(73,069)	(71,225)	1,844
Estimated Additional Revenue Balances at 31 March 2021	0	(1,678)	(3,491)	(1,813)

TONNAGE FORECASTS

The tonnage forecasts in tables A2-A6 have been based on individual discussions with the boroughs and based on the first 6 months of 2020-21 with emphasis to any service changes, property growth but also attempting to gauge the effect of COVID-19 on non-Household tonnages.

TABLE A2 – RESIDUAL WASTE FORECAST

	2019/20	2020/21	2020/21 Q2	2020/21 Q3	
	Actual	Budget	Forecast	Forecast	Change Q3 vs
	Tonnes	Tonnes	Tonnes	Tonnes	Budget
					%
Barnet	106,584	106,674	116,322	112,165	5.15%
Camden	75,293	74,301	71,863	65,495	-11.85%
Enfield	91,057	89,382	90,080	90,884	1.68%
Hackney	88,655	88,845	90,479	87,721	-1.26%
Haringey	73,940	71,566	75,541	73,975	3.37%
Islington	79,336	77,603	76,815	72,286	-6.85%
Waltham Forest	71,709	67,178	74,444	71,290	6.12%
Total	586,574	575,550	595,544	573,816	-0.30%

TABLE A3 – MIXED ORGANIC (FOOD AND GREEN) WASTE FORECAST

	2019/20	2020/21	2020/21 Q2	2020/21 Q3	
	Actual	Budget	Forecast	Forecast	Change Q3 vs
	Tonnes	Tonnes	Tonnes	Tonnes	Budget
					%
Barnet	0	0	0	0	N/A
Camden	11	0	13	0	N/A
Enfield	0	0	0	0	N/A
Hackney	0	0	0	0	N/A
Haringey	4,381	0	1,074	2,304	N/A
Islington	3,793	3,904	3,941	4,017	2.89%
Waltham Forest	6,876	6,627	7,640	9,691	46.24%
Total	15,061	10,531	12,668	16,012	52.04%

TABLE A4 - FOOD WASTE TONNAGE FORECAST

	2019/20	2020/21	2020/21 Q2	2020/21 Q3	
	Actual	Budget	Forecast	Forecast	Change Q3 vs
	Tonnes	Tonnes	Tonnes	Tonnes	Budget
					%
Barnet	0	0	0	42	N/A
Camden	2,657	2,446	2,277	2,894	18.33%
Enfield	0	0	0	0	N/A
Hackney	4,903	4,444	5,141	5,103	14.82%
Haringey	1,066	3,074	2,863	2,304	-25.06%
Islington	0	0	166	0	N/A
Waltham Forest	484	427	771	0	-100.00%
Total	9,110	10,391	11,218	10,342	-0.47%

TABLE A5 – GREEN WASTE TONNAGE FORECAST

	2019/20	2020/21	2020/21 Q2	2020/21 Q3	
	Actual	Budget	Forecast	Forecast	Change Q3 vs
	Tonnes	Tonnes	Tonnes	Tonnes	Budget
					%
Barnet	13,870	12,000	1,358	9,680	-19.33%
Camden	1,695	1,632	1,656	1,744	6.86%
Enfield	0	0	0	0	N/A
Hackney	2,526	2,900	2,879	2,548	-12.15%
Haringey	363	2,661	2,883	1,408	-47.09%
Islington	594	682	551	586	-14.05%
Waltham Forest	1,482	2,262	508	160	-92.95%
Total	20,530	22,137	9,835	16,125	-27.16%

TABLE A6 – MDR TONNAGE FORECAST

	2019/20 Actual Tonnes	2020/21 Budget Tonnes	2020/21 Q2 Forecast Tonnes	2020/21 Q3 Forecast Tonnes	Change Q3 vs Budget %
Barnet	26,535	27,500	27,809	29,555	7.48%
Camden	16,669	18,473	16,039	14,888	-19.41%
Enfield	0	0	0	0	N/A
Hackney	18,470	18,162	19,272	20,223	11.35%
Haringey	16,982	17,726	18,058	18,963	6.98%
Islington	15,973	16,276	15,793	15,519	-4.65%
Waltham Forest	15,956	16,389	18,351	19,808	20.86%
Total	110,585	114,526	115,322	118,956	3.87%

Re-use and Recycling Centre (RRCs) Balances at 31 March 2021

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. In setting the budget and levy for 2020/21, the Authority estimated that it would have balances owed to it of £0.291m to amend the cost of RRCs in 2019/20. The 2018/19 outturn contained additional balances of £0.043m.

Table A7 below provides a summary of the current financial position for each borough:

	Change in RRC Balances at 1 April 2020 (As reported in June)	Total Operating Costs – 2020/21 Original Budget	Total Operating Costs - 2020/21 Current Forecast	Change in 2020/21 Total Operating Costs	Estimated RRC Balances at 31 March 2021 (Column 1 plus 4)
	£'000	£'000	£'000	£'000	£'000
Barnet	25	977	838	(139)	(114)
Camden	45	642	577	(65)	(20)
Enfield*	0	34	30	(4)	(4)
Hackney	2	247	233	(14)	(12)
Haringey	(4)	828	733	(95)	(99)
Islington	29	805	731	(74)	(45)
Waltham Forest	(18)	1,351	1,274	(77)	(95)
Total	79	4,884	4,416	(468)	(389)

* The Authority does not manage Enfield's RRC; the cost of disposing of this site's residual waste is included in Enfield's base levy. Subject to final review in February, RRC balances of £0.389m will be taken into account in calculating the RRC element of the 2021/22 levy.

Base Levy Balances at 31 March 2020

The menu-price based levy requires the authority to attribute all of its costs to the boroughs and to hold borough specific balances. A positive balance for a borough can be used to support a future year's levy but if negative will be recovered through an addition to the levy. The following table sets out the forecast balance position excluding RRCs. It should be noted the costs in columns 2 and 3 are those that are attributable to the levy; they do not include the costs of processing non-household and chargeable household waste. The 2020/21 base levy included estimated balances of £5.540m, which enabled the Authority to set a base levy of £50.345m. Since the levy is fixed for the year, the additional balances arising from the 2019/20 outturn feed into the estimated balance at 31 March 2021 and can be taken into account together with any in-year savings when the Authority determines its 2021/22 levy.

Table A8	Additional balance at 1 April 2019 (reported in June)	2020/21 Budget Levy Costs	2020/21 Levy Costs - Current Forecast	Forecast Change in 2020/21 Levy Costs	Estimated Balance at 31 March 2021 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(423)	11,374	11,602	228	(195)
Camden	(427)	5,053	4,230	(823)	(1,250)
Enfield	(599)	6,973	6,976	3	(596)
Hackney	(500)	6,829	7,285	456	(44)
Haringey	(312)	7,179	7,274	95	(217)
Islington	(409)	5,558	5,220	(338)	(747)
Waltham Forest	(313)	7,379	7,638	259	(54)
Total	(2,983)	50,345	50,225	(120)	(3,103)

Charges to Boroughs for Non-Household Waste

Although charges for non-household waste must be separate from the levy, the calculation methodology for these charges is set out in the provisions of the menu-price based levy . Forecast charges to boroughs for the disposal of non-household waste in 2020/21 compared with the original budget assumptions are shown in the table below

Table A9	2020/21 Budget Estimate £'000	2020/21 Current Forecast £'000	Estimated Variance £'000
Barnet	1,020	617	(403)
Camden*	2,286	1,778	(508)
Enfield	843	657	(186)
Hackney*	1,896	1,083	(813)
Haringey *	351	171	(180)
Islington *	2,600	1,950	(650)
Waltham Forest	109	95	(14)
Total	9,105	6,351	(2,754)

Charges to Boroughs for Chargeable Household Waste:

Forecast charges to Boroughs for the disposal of Chargeable household waste in 2020/21 compared with the original budget assumptions are shown in the table below:

Table A10	2020/21 Budget Estimate £'000	2020/21 Current Forecast £'000	Estimated Variance £'000
Barnet	200	121	(79)
Camden*	487	246	(241)
Enfield	125	49	(76)
Hackney*	558	370	(188)
Haringey *	245	209	(36)
Islington *	284	206	(78)
Waltham Forest	16	0	(16)
Total	1,915	1,201	(714)

APPENDIX B FINANCIAL TABLES TO SUPPORT THE REPORT BUDGET 2021/22

Table B1 shows the variance between the 2020/21 budget and the budget forecast for 2021/22

Table B1	2020/21 Budget	2021/22 Current Forecast	Variance
	£'000	£'000	£'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	38,766	39,724	958
Landfill Tax	1,438	1,619	181
Biodegradable Waste Services	1,707	1,789	82
MRF Services	10,012	9,790	(222)
Transfer Station and Other Sites	1,904	2,679	775
Corporate and Other Support Service Costs	2,994	3,084	90
Strategy & Services Team	601	737	136
Waste Prevention Programme	519	523	4
Recycling Communications	200	200	0
Recycling Initiatives	246	129	(117)
North London Heat and Power Project	1,414	852	(562)
Revenue Funding – Capital Programme	6,912	6,975	63
	66,713	68,102	1,389
Reuse and Recycling Centres Expenditure			
Residual Waste	876	853	(23)
Landfill Tax	123	119	(4)
Operating Costs	3,750	4,070	320
	4,749	5,042	293
Income			
Rents	(121)	(125)	(4)
Sale of Recyclates	(2,291)	(2,236)	55
Interest on Balances	(40)	(40)	0
	(2,452)	(2,401)	51
Net Expenditure	69,010	70,743	1,733
Contingency	2,779	2,815	36
Total Net Expenditure	71,789	73,558	1,769
Financed By			
Use of Balances	(5,540)	(3,491)	2,049
Charges to Boroughs (Non-household waste)	(9,105)	(7,954)	1,151
Charges to Boroughs (Chargeable Household Waste)	(1,915)	(1,773)	142
2021/22 Levy - Base Element	(50,345)	(55,687)	(5,342)
- HWRC Element	(4,884)	(4,653)	231
Total Levy	(55,229)	(60,340)	(5,111)
Total Resources Available	(71,789)	(73,558)	(1,769)
Estimated Additional Revenue Balances at 31 March	0	0	0

TONNAGE FORECASTS

The tonnage forecasts in tables B2-B6 have been based on individual discussions with the boroughs and based on the first 6 months of 2020-21 with emphasis to any service changes, property growth but also attempting to gauge the effect of COVID-19 on non-household tonnages. This has then been used to forecast the anticipated tonnages into 2021/22

TABLE B2 – RESIDUAL WASTE FORECAST

	2019/20	2020/21	2021/22	
	Actual	Forecast	Budget	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	106,584	112,165	115,174	2.68%
Camden	75,293	65,495	68,710	4.91%
Enfield	91,057	90,884	89,854	-1.13%
Hackney	88,655	87,721	90,572	3.25%
Haringey	73,940	73,975	75,313	1.81%
Islington	79,336	72,286	73,520	1.71%
Waltham Forest	71,709	71,290	69,574	-2.41%
Total	586,574	573,816	582,717	1.55%

TABLE B3 – MIXED ORGANIC (FOOD AND GREEN) WASTE FORECAST

	2019/20	2020/21	2021/22	
	Actual	Forecast	Budget	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	0	0	0	N/A
Camden	11	0	0	N/A
Enfield	0	0	0	N/A
Hackney	0	0	0	N/A
Haringey	4,381	2,304	1,949	-15.39%
Islington	3,793	4,017	3,831	-4.63%
Waltham Forest	6,876	9,691	9,691	0.00%
Total	15,061	16,012	15,471	-3.37%

TABLE B4 – FOOD WASTE TONNAGE FORECAST

	2019/20	2020/21	2021/22	
	Actual	Forecast	Budget	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	0	42	0	N/A
Camden	2,657	2,894	2,991	3.35%
Enfield	0	0	0	N/A
Hackney	4,903	5,103	6,208	21.65%
Haringey	1,066	2,304	1,949	-15.39%
Islington	0	0	0	N/A
Waltham Forest	484	0	0	N/A
Total	9,110	10,342	11,148	7.79%

TABLE B5 – GARDEN WASTE TONNAGE FORECAST

	2019/20	2020/21	2021/22	
	Actual	Forecast	Budget	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	13,870	9,680	10,611	9.62%
Camden	1,695	1,744	1,793	2.83%
Enfield	0	0	0	N/A
Hackney	2,526	2,548	2,699	5.93%
Haringey	363	1,408	2,233	58.63%
Islington	594	586	682	16.41%
Waltham Forest	1,482	160	160	0.00%
Total	20,530	16,125	18,178	12.73%

TABLE B6 – MDR TONNAGE FORECAST

	2019/20	2020/21	2021/22	
	Actual	Forecast	Budget	Change
	Tonnes	Tonnes	Tonnes	%
Barnet	26,535	29,555	29,552	-0.01%
Camden	16,669	14,888	15,277	2.61%
Enfield	0	0	0	N/A
Hackney	18,470	20,223	20,567	1.70%
Haringey	16,982	18,963	17,965	-5.26%
Islington	15,973	15,519	16,184	4.29%
Waltham Forest	15,956	19,808	19,808	0.00%
Total	110,585	118,956	119,352	0.33%

Reuse and Recycling Centre Levy

The amounts charged to the relevant boroughs through the 2021/22 levy allow for the additional balances that arose from the closure of the 2019/20 accounts and forecast additional balances from 2020/21.

Table B7	Forecast balances at 1 April 2021 £'000	2021/22 Estimated costs £'000	2020/21 Estimated Levy £'000
Barnet	(114)	1,170	1,056
Camden	(20)	566	546
Enfield	(4)	36	32
Hackney	(12)	267	255
Haringey	(99)	750	651
Islington	(45)	806	761
W. Forest	(95)	1,447	1,352
Total	(389)	5,042	4,653

Base Levy

The amounts charged to the relevant boroughs through the 2021/22 base levy allow for the additional balances that arose from the closure of the 2019/20 accounts and forecast additional balances from 2020/21.

Table B8	Forecast balances at 1 April 2021 £'000	2021/22 Estimated Levy Requirement £'000	2021/22 Estimated Levy £'000
Barnet	(195)	13,040	12,845
Camden	(1,250)	5,559	4,309
Enfield	(596)	7,809	7,213
Hackney	(44)	8,468	8,424
Haringey	(217)	8,626	8,409
Islington	(747)	6,353	5,606
W. Forest	(54)	8,935	8,881
Total	(3,103)	58,790	55,687

Non-household Waste Charges

The cost to boroughs in 2021/22 is estimated to be:

Table B9	2021/22 Estimated Tonnes	2021/22 Estimated Cost £'000
Barnet*	9,781	867
Camden*	26,170	2,221
Enfield	7,904	705
Hackney*	20,830	1,749
Haringey *	2,352	201
Islington *	24,308	2,111
Waltham Forest	1,119	100
Total	92,463	7,954

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

The final charges will be calculated as part of the 2020/21 final accounts process and reported to the Authority in June 2021. Any under or over payment by boroughs will be collected from or repaid to boroughs at the conclusion of the final accounts process.

Chargeable Household Waste

The cost to boroughs in 2021/22 is estimated to be:

Table B10	2021/22 Estimated Tonnes	2021/22 Estimated Cost £'000
Barnet	2,280	203
Camden	3,470	299
Enfield	2,170	193
Hackney	6,860	565
Haringey	2,881	246
Islington	3,336	267
Waltham Forest *	0	0
Total	20,997	1,773

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

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

REPORT ENDS