

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: BUDGET AND LEVY 2021/22

REPORT OF: FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 11 FEBRUARY 2021

SUMMARY OF REPORT:

This report seeks approval of the budget and resource requirements for 2021/22 including the levy and charging arrangements for non-household and chargeable household waste. The report also contains proposals for Prudential indicators and the basis for calculating the Minimum Revenue Provision in the coming year. In addition, it provides a medium term forecast for future years up to and including 2024/25.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Satisfy itself that the proposed budget will be sufficient to meet the net expenditure requirements for the year ahead and agree the 2021/22 budget.
- B. Agree to use revenue balance of £3.988m to support the 2021/22 budget.
- C. Agree the levy for 2021/22 as laid out in table 1 in paragraph 1.6.
- D. Authorise the Financial Adviser to make the arrangements for collection of the levy and charges for non-household and household waste.
- E. Approve the Prudential Indicators and the basis for calculating the Minimum Revenue Provision as laid out in sections 6 and 7.
- F. Approve the per tonne charge for non-household and chargeable household residual and recyclable waste as laid out in table 3 in paragraph 3.19.2:
- G. Note the medium-term budget forecasts for 2022/23, 2023/24 and 2024/25

SIGNED: Jon Rowney, Financial Adviser

DATE: 2 February 2021

1. INTRODUCTION

- 1.1. At the Authority's meeting on 3 December 2020, Members were provided with a view of the financial position including an assessment of the budget and resource requirements for 2021/22 and the net budget requirement was forecast to be £73.558m. This has since changed to £72.637m a drop of £0.921m.
- 1.2. The December review drew attention to the budget issues that would need to be addressed at this meeting and noted that the Members' Finance Working Group (MFWG) would meet in January. In addition, officers would consult with borough counterparts to review the underpinning budget assumptions.
- 1.3. Since then, officers have met with borough counterparts to review the tonnage forecasts to be used in the budget. The MFWG met on 14 January to review these assumptions. The Group acknowledged that it was important that the Authority agree a budget that is sufficiently robust and flexible to meet its statutory operational obligations and to ensure that sufficient funding was available to support the North London Heat and Power Project.
- 1.4. Officers met with borough Directors of Finance on 22 January. Consideration was given to the Authority's budget and resource requirements for 2021/22.
- 1.5. This report provides an updated review of the forecast outturn for 2020/21 and presents for consideration a draft budget for 2021/22. It also provides budget and levy medium term forecasts for 2022/3 to 2024/25.
- 1.6. The draft budget for 2021/22 contains a net expenditure requirement of £72.637m, an increase of £0.848m or 1.18% compared to the 2020/21 budget. This will be funded by non-household waste charges of £8.543m, household waste charges of £1.769m and a levy of £58.338m (consisting of a base element of £53.937m and a Re-use and Recycling Centre (RRC) element of £4.401m). The levy for each borough is shown below in table 1.

| | 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 | 13,897 | 6.46% | (704) | (448) | -36.36% | 12,350 | 13,449 | 8.90% |
| Camden | 6,574 | 6,434 | -2.13% | (879) | (1,244) | 41.52% | 5,695 | 5,190 | -8.87% |
| Enfield | 7,604 | 7,703 | 1.30% | (598) | (548) | -8.36% | 7,006 | 7,155 | 2.13% |
| Hackney | 8,120 | 8,180 | 0.74% | (1,044) | (469) | -55.08% | 7,076 | 7,711 | 8.97% |
| Haringey | 8,721 | 9,394 | 7.72% | (714) | (160) | -77.59% | 8,007 | 9,234 | 15.32% |
| Islington | 7,029 | 6,918 | -1.58% | (665) | (872) | 31.13% | 6,364 | 6,046 | -5.00% |
| Waltham Forest | 9,666 | 9,800 | 1.39% | (936) | (247) | -73.61% | 8,730 | 9,553 | 9.43% |
| | 60,768 | 62,326 | 2.56% | (5,540) | (3,988) | -28.01% | 55,228 | 58,338 | 5.63% |

1.7. This report contains sections as follows:

Section 2 Review of the 2020/21 Revenue Budget.

Section 3 2021/22 Draft Budget.

Section 4 Apportionment of the 2021/22 levy.

Section 5 Medium Term Forecast for 2022/23 to 2024/25.

Section 6 Prudential Indicators.

Section 7 Minimum Revenue Provision

Section 8 Advice on Reserves and Balances.

Section 9 Conclusion.

Section 10 Comments of the Legal Adviser.

Appendix A 2020/21 supporting information and tables.

Appendix B 2021/22 supporting information and tables.

Appendix C Medium Term Forecast for 2022/23 to 2024/25.

2. REVIEW OF THE 2020/21 REVENUE BUDGET

2.1. As reported at previous meetings, lockdown and wider subsequent precautions across society as a result of the COVID-19 pandemic, has changed the volumes and types of wastes delivered to the Authority and that increased levels of household waste has increased costs. Despite this, balances that had arisen since the budget was set in February 2020 stood at £3.491m. Subject to further changes, this balance would be available to support the 2021/22 budget and levy.

2.2. 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).

2.3. Since the December Authority meeting, A further detailed review of the budget has identified additional changes, the net effect of which is estimated to decrease net expenditure and increase the level of surplus revenue balances likely to be available at 31 March 2021 by a further £0.497mm to £3.988m. These balances are 28% lower than the balances available to reduce the 2020/21 levy.

2.4. An analysis of the 2020/21 budget and forecast outturn is shown in Table A1 in appendix A. Tables A2 to A6 contain the latest tonnage forecasts for the current year, Tables A7 and A8 show the impact on balances held by the Authority on behalf of the boroughs and tables A9 and A10 provide an analysis by borough breakdown of chargeable waste income. Details of the most significant changes identified by this update are shown in paragraphs 2.5 to 2.14 below. The numbers

in brackets in the following paragraph titles show the effect that the variance has on net expenditure compared to the second budget review through increased expenditure and decreased income (+) or decreased expenditure and increased income (-).

2.5. Transport, Disposal and Landfill Tax: (+ £0.074m)

2.5.1. The latest forecast for processing residual waste shows a projected increase in the tonnage processed at the Hendon and Wembley transfer stations in the remainder of the current financial year. This is largely offset by a reduction in tonnage processed at Edmonton, with little movement in the overall cost of treatment.

2.5.2. The change in forecast cost is largely due to an increase in the estimated electricity income claim of £0.083m. This is in recognition of LondonEnergy Ltd receiving lower electricity export prices during the COVID period.

2.6. Biodegradable Waste Services: (+£0.032m)

2.6.1. There is an increase in garden waste costs as a result of increased forecast tonnage for 2020/21.

2.6.2. MRF service costs remain pretty static with no movement on Q3 forecast. Tonnages have reduced, however the savings in processing costs are offset by the increase in tons that will be subject to a LEL bulking charge due to a change in the mix of tonnages being delivered by individual broughs.

2.7. Corporate and Other Support Service Costs, Including Strategy & Services Team : (-£0.080m)

2.7.1. The temporary closure of the office at Berol House due to Coronavirus has led to savings on running costs. In addition, the decision has been taken to delay recruitment to some office-based roles while staff are working remotely.

2.8. Waste Prevention Programme: (-£0.100m)

2.8.1. The programme of waste prevention activities has been reviewed in the light of the latest lockdown and activities such as the waste education programme and the annual Waste Prevention Exchange have been replanned, resulting in an in year saving.

2.9. Recycling Initiatives: (+£0.036m)

2.9.1. Claims from charities for recycling credits were higher than anticipated in the second quarter, in light of this, the forecast has been increased, although the forecast is still below the original budget.

2.10. North London Heat & Power Project: (+£0.036m)

2.10.1. Additional spend has been identified relating to the project's stakeholder engagement programme.

2.11. Reuse and Recycling Centres: (-£0.117m)

2.11.1. A reduction in residual waste tonnage expected in the RRC sites for the second half of 2020/21 results in an improved budget position of £0.023m.

2.11.2. The site operational costs, the closure of Kings Road shop for one month and lower resource than forecast in some months gives rise to an improved budget performance of £0.034m.

2.11.3. Lower net recycling costs of £0.060m are also forecast with lockdown reducing the tonnages being disposed of at the RRC sites.

2.12. Income from the Sale of Recyclates: (-£0.174m)

2.12.1. The increase in revenue is a result of a better than anticipated basket price for the 4th quarter of 2020/21 of £26.99 compared to the December forecast of £20.00.

2.13. Charges to Boroughs for Non-Household Waste: (-£0.067m)

2.13.1. The boroughs have informed the Authority that they expect to send 67,416 tonnes of residual waste compared with the December report of 67,390 tonnes. Additionally, the boroughs expect to deliver 9,023 tonnes of mixed dry recyclable waste and 1,278 tonnes of biodegradable waste compared with the December report tonnage of 8,659 and 1,366 respectively.

2.13.2. Boroughs make on account payments to the Authority during the year based on the original estimate. Any additional sums due or refunds are determined as part of the 2020/21 final accounts process. Table A9 in Appendix A provides an analysis by borough. The table indicates that all boroughs could receive a refund.

2.14. **Charges to Boroughs for Chargeable Household Waste (-£0.032m)**

- 2.14.1. The latest declarations by the boroughs indicate that residual waste tonnage has increased from the December report to 12,246 tonnes, an increase of 290 tonnes. Recycling tonnages are largely unchanged. The menu price levy calculation arrangements also apply to chargeable waste and the changes in the Authority's costs discussed in this report have resulted in some reductions in the price per tonne on which the Authority bases its assessment of chargeable waste income.
- 2.14.2. Estimated charges for the year are reported in table A10 and indicate that all boroughs will be in line for a refund.

2.15. **Balances at 31 March 2021**

- 2.15.1. The menu price-based levy requires the Authority to attribute all of its costs to the boroughs and to hold borough specific balances. A positive balance for a borough can be used to support a future year's levy but if negative it will be recovered through an addition to a future year's levy.
- 2.15.2. Tables A7 and A8 in Appendix A show how in-year levy balances might be apportioned between the boroughs, based on the current forecast, and how these might be used to reduce the levy in 2021/22.

2.16. **2020/21 Summary**

- 2.16.1. Allowing for the factors outlined above, the total net expenditure in 2020/21 for the Authority is estimated to be £67.336m. This represents a reduction of £0.398m compared with the December budget update. Taking into account an increase in forecast income from non-household and household charges since December of £0.099m, the revenue surplus at 31 March 2021 is currently forecast to be £3.988m, an increase of £0.497m since the December budget update.

3. **REVIEW OF THE 2021/22 DRAFT BUDGET**

- 3.1. In February 2020, when the 2020/21 budget was set, the proposed levy for 2021/22 when compared to 2020/21, forecast an increase of 15.46%. Since then, revenue balances identified in paragraph 2.15.1 above, have arisen and can be used to reduce the levy. The projected year on year change to the levy and charges is summarised in table 2 on the following page.

| Table 2 | 2020/21 Budget £'000 | 2021/22 Budget £'000 | Variance £'000 | Variance % |
|-------------------------|-------------------------------------|-------------------------------------|---------------------------|-----------------------|
| Charges - non-household | 9,105 | 8,543 | (562) | (6.17) |
| Charges - household | 1,915 | 1,769 | (146) | (7.62) |
| Levy | 55,229 | 58,338 | 3,109 | 5.63 |
| Total | 66,249 | 68,650 | 2,401 | 3.62 |

3.2. As per table 2 above, there is a forecast increase in the overall levy of 5.63%. Although the Authority's net budget requirement is forecast to increase in 2020/21 by £0.848mm (1.18%). The change in the mix of household and chargeable wastes and the 28% lower level of balances carried forwards from 2020/21 causes the levy rise to be greater.

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

3.4. **Inflation**

3.4.1. The Authority's largest contracts are linked to the change in the Retail Price Index (RPI) with the most significant of these linked to the December index. The Increase in RPI in December 2020 was 1.2%. The summary of independent forecasts published by HM Treasury in January 2021 estimates the December 2021 annual RPI increase at 2.8% and this has been factored into the draft budget. Other Categories of expenditure, particularly those that are subject to an RPI increase in April 2021 have been increased by 1.25%.

3.5. **Employee Resources**

3.5.1. The employee resource budget assumes some staffing increases in the coming year. Specifically, officers plan to create new posts in the Strategy and Services Team to prepare the Authority to take on asset ownership responsibilities for new facilities and to work with LondonEnergy Ltd on their mobilisation plans for those facilities. A new post is also planned to strengthen work on maximising the social benefit to north London communities of the North London Heat and Power Project. It is planned to fill existing vacancies in Technical and Procurement areas. In addition there is a need to create a lead corporate management role – in response to increased challenges to maintain IT services and to undertake best practice health and safety measures as a result of coronavirus, a dedicated member of staff is needed for the Authority. Some of these staff can be capitalised and a prudent estimate has been included. A combined 4% increase in the budget for corporate costs and strategy and services team

is allowed compared with 2020/21 including provision for a 2% pay award in April 2021. Forecasts recognise the uncertainties of recruitment at this time.

3.6. Transport and disposal

- 3.6.1. The 2021/22 draft transport and disposal budget is based on a residual waste stream of 582,142 tonnes, i.e. an increase of 12,095 tonnes (2.12%) compared to the 2020/21 forecast outturn. This increase reflects detailed discussions with officers from all constituent boroughs and the tonnages are detailed at Table B2 in Appendix B.
- 3.6.2. The overall increase in this budget of £0.889m compared to 2020/21 budget reflects the effect of an allowance of 1.25% for a price increase in January 2021. It also reflects assumptions about the amount of residual waste that LEL is able to transport from Wembley for processing at Edmonton. This is subject to a higher gate fee than other waste. However, it is beneficial to increase the proportion of Wembley waste which is sent to Edmonton as the alternative at Wembley is disposal to FCC which has a higher gate fee.
- 3.6.3. Electricity prices are also forecast to remain lower in the coming financial year. This will lead to an increase in the Electricity Income Claim which has been factored into this budget heading.

3.7. Landfill Tax

- 3.7.1. The standard rate of landfill tax will increase from £94.15 to £96.70 per tonne on 1 April 2021.

3.8. Biodegradable Waste Services

- 3.8.1. The 2021/22 draft tonnage budget for Biodegradable waste as set out in Table B3 in Appendix B shows a decrease of 1,926 tonnes on the 2020/21 outturn to 14,410 tonnes, this is a drop of 11.79%
- 3.8.2. The overall effect on costs is a reduction of £0.160m on 2020/21 levels.

3.9. Food Waste Services

- 3.9.1. Tonnage is forecast to increase by 1,084 tonnes to 11,453 tonnes (+10.45%) when compared to the 2020/21 forecast outturn. The details by borough are shown at table B4 in Appendix B
- 3.9.2. The overall effect on costs is £0.035m increase on prior year.

3.10. Garden Waste Services

3.10.1. This service shows a 9.66% increase when compared to 2020/21 outturn which is an additional 1,629 tonnes taking the full year figure to 18,501 tonnes. The detail by borough is shown in Table B5 in Appendix B.

3.10.2. The effect on costs is £0.071m increase on 2020/21 levels.

3.11. MRF Waste Services

3.11.1. The predicted tonnage for 2021/22 is 118,924 tonnes an increase of 1,454 tonnes (1.24%), the results by borough are shown at table B6 in Appendix B.

3.11.2. The full year budgeted cost of the service is £9.888m an increase of £0.330m on prior year levels. This increase is related to the tonnage increase and indexation on this contract is 1.60% . In addition, the delivery points for these tonnages, at transfer stations, generate additional bulking and transportation charges.

3.12. Waste Prevention Programme

3.12.1. The draft budget includes provision for the planned waste prevention programme. Details of the first 6 months of the annual are provided in detail elsewhere on this agenda.

3.13. Recycling Communications

3.13.1. The Authority has been developing a recycling communications campaign to tackle the scourge of recycling contamination in conjunction with officers from the 7 constituent boroughs. The campaign will build upon 2020-21 activity; the proposals will be further discussed with the Members Recycling Working Group (MRWG).

3.14. Recycling Initiatives

3.14.1. The Authority has the power to pay third party re-use and recycling credits. The budget has been based on submissions from charities for the 2020/21 year.

3.15. North London Heat & Power Project

3.15.1. The budget forecast reflects the resources required to support the ongoing project in 2020/21. Only a small portion of the costs relating to the project cannot be capitalised.

3.16. Revenue Funding of the Capital Programme

3.16.1. The budget forecast provides for the financing of:

the Authority's investment in LondonEnergy Ltd
The acquisition of Pinkham Way
The acquisition of Land adjacent to the EcoPark for the North London Heat & Power Project
The future acquisition of the RRC site at Western Road
The construction of the new Resource Recovery Facility and Reuse and Recycling Centre, associated infrastructure and the replacement Energy Recovery Facility
The possible refurbishment of existing RRC sites and the development of a new waste transfer station.

3.17. Reuse & Recycling Centres

3.17.1. The draft budget provides for the operation of seven Re-use and Recycling Centres. The budget is based on the estimated outturn for 2021/22, including savings to be delivered in the coming year. The budget also includes the cost of transport and disposal of residual waste from Barrowell Green, which hitherto has been recorded as a main waste disposal contract cost. Excluding this, there is a small year on year decrease in net cost of the service.

3.17.2. LondonEnergy Ltd are considering an independent review of RRC operating and transport costs to ensure best practice in delivering a safe and cost effective service.

3.17.3. The amounts charged to the relevant boroughs through the 2021/22 levy will also reflect the forecast additional balances at 31 March 2020. An analysis by borough is provided in table B7 in Appendix B.

3.18. Income from the Sale of Recyclates

3.18.1. The Authority holds a significant share of the income risk in the Mixed Dry Recyclate contract. The budget assumes an average price per tonne of £20.00. Forecasting global market prices is notoriously difficult and there has been significant price volatility over the past year as the demand for raw materials changed during the pandemic.

3.19. Non-Household Waste Charges

3.19.1. Following upon discussions with boroughs officers the Authority is expecting to receive 99,387 tonnes of non-household waste in 2021/22 comprising 85,993 tonnes of residual waste, 11,487 tonnes of dry

recyclable waste 1,809 tonnes of food and mixed organic waste and 97 tonnes of green waste.

- 3.19.2. 3.16.2. Based on the advised tonnages the estimated cost to the boroughs is £8.543m. The proposed costs per tonne are included in table 3 below and the costs to individual boroughs are shown in table B7 in appendix B.

| Table 3 | Price Per tonne £ |
|----------------------|----------------------------------|
| Residual | 88.72 |
| Biodegradable | 56.24 |
| Green | 48.89 |
| Food | 31.98 |
| Mixed Dry Recyclable | 73.30 |

3.20. **Chargeable Household Waste**

- 3.20.1. Boroughs have advised the Authority that they expect to collect 21,046 tonnes of chargeable household waste comprising 17,195 tonnes of residual waste, 2,410 tonnes of dry recyclates, 1,429 tonnes of mixed organic waste and food waste and 12 tonnes of green waste.
- 3.20.2. The estimated cost to the boroughs, based on the advised tonnages is £1.769m. The proposed costs per tonne are included in table 3 above and the costs to individual boroughs are shown in table B8 in appendix B.

3.21. **Contingency**

- 3.21.1. Previous sections of this report have advised Members of the robustness of individual budget heads to meet the Authority's statutory waste disposal obligations. Whilst these budgets are soundly based, the Authority needs to consider how it would fund any additional costs. In particular, if there are concerns about the level of the waste stream delivered to the Authority by constituent councils, its ability to generate income from the sale of recycling, its ability to secure treatment capacity at third party facilities or its ability to ensure that there are sufficient resources to fund the costs of The North London Heat and Power Project.
- 3.21.2. In coming to a view on this, Members should bear in mind that once the levy is set the Authority would not be in a position to secure additional funds from its constituent councils. Because over three-quarters of the Authority's operating expenditure in any year in the life of the budget and medium term plan is driven by the amount of waste and recycling collected by the constituent boroughs, it has limited scope to make

compensating savings for additional costs that may arise in meeting its waste disposal obligations. Although the Authority has responsibility for the disposal of the waste from its constituent councils, it has no direct control over the volumes of waste entering the waste stream. A variance to the budgeted tonnages could arise by either a higher than expected growth in the waste stream or constituent councils not recycling as much as forecast. These factors place greater emphasis on the need to have robust budgets and adequate contingencies to deal with such eventualities.

3.21.3. Members will also be aware that the Local Government Act 2003 places a formal duty on the Financial Adviser to report to Members on the adequacy of the Authority's reserves (see section 8 below). There is a degree of uncertainty about the scale of a number of budget pressures in the coming year. This is particularly the case for income generated from the sale of recyclates as well as electricity compensation payments that the Authority pays to LEL. The latter is strongly influenced by prevailing electricity prices. It is proposed to include a base contingency provision of £2.405m.

3.21.4. Unspent contingency budgets will be reviewed each quarter and returned to the boroughs through the calculation of balances.

4. APPORTIONMENT OF THE 2021/22 LEVY

4.1. All boroughs formally agreed to adopt a menu-price based levy for 2016/17 onwards. Table 4 below, summarises the estimated levy impact for each council after any balances available have been taken into account (further details of the calculation for 2021/22 can be found in tables B5 and B6 in Appendix B):

| | 2020/21 Levy | | | 2021/22 Forecast Levy | | | Total estimated levy change (Column 6 minus Column 3) | |
|----------------|---------------|--------------|---------------|-----------------------|--------------|---------------|---|-------------|
| | Base | RRC | Total | Base | RRC | Total | £'000 | % |
| | (1) £'000 | (2) £'000 | (3) £'000 | (4) £'000 | (5) £'000 | (6) £'000 | £'000 | % |
| Barnet | 11,374 | 976 | 12,350 | 12,490 | 959 | 13,449 | 1,099 | 8.90 |
| Camden | 5,052 | 643 | 5,695 | 4,682 | 507 | 5,189 | (506) | (8.88) |
| Enfield | 6,973 | 34 | 7,007 | 6,942 | 213 | 7,155 | 148 | 2.11 |
| Hackney | 6,829 | 246 | 7,075 | 7,475 | 236 | 7,711 | 636 | 8.99 |
| Haringey | 7,179 | 828 | 8,007 | 8,609 | 625 | 9,234 | 1,227 | 15.32 |
| Islington | 5,558 | 805 | 6,363 | 5,344 | 702 | 6,046 | (317) | (4.98) |
| Waltham Forest | 7,380 | 1,351 | 8,731 | 8,395 | 1,159 | 9,554 | 823 | 9.43 |
| Total | 50,345 | 4,883 | 55,228 | 53,937 | 4,401 | 58,338 | 3,110 | 5.63 |

5. MEDIUM TERM FORECAST 2022/23-2024/25

- 5.1. The medium-term forecast allows for inflation at 2.5% year on year. Tonnage forecasts are assumed to remain flat with no growth in the residual waste stream. Although prudent provision has been made for these costs, the Authority's budget is exposed to a number of factors outside its control. A 1% variance in inflation could add or subtract costs of approximately £0.7m in a full year. Similarly, a 1% variation in tonnages could have a further impact of £0.6m per annum.
- 5.2. The Authority's contract with LEL includes an annual price adjustment, which is linked to the sale value of electricity obtained by the Company. The medium-term forecasts reflect what officers consider to be a reasonable assumption about future sale prices. A 0.1p per kilowatt-hour change in electricity prices would add or subtract approximately £0.2m in a full year.
- 5.3. The outlook for the levy has been discussed with both the Member Finance Working Group and Borough Directors of Finance. The medium-term forecast assumes that there will be no balances at the end of 2020/21. Appendix C contains the medium-term forecast and shows that the net expenditure requirement is forecast to increase to £75.614 (5.33%) in 2022/23, £83.987m (11.07%) in 2023/24 and £85.333m (1.60%) in 2024/25.
- 5.4. If no balances are available to support budgets for 2022/23 and beyond, net expenditure and levies are forecast as in table 5 below.
- 5.5. During the year, the Authority might generate balances which will reduce the levy. As a comparator, this time last year, the budget forecast for 2021/22 with no balances available, contained a forecast increase of 15.46% (which has now reduced to 5.63%).

| Table 5 | 2021/22 | 2022/23 | Variance | |
|----------------|---------------------------|---------------------------|--------------|--------------|
| | Proposed Levy £'000 | Forecast Levy £'000 | £'000 | % |
| Barnet | 13,449 | 14,444 | 995 | 7.40 |
| Camden | 5,189 | 6,690 | 1,501 | 28.93 |
| Enfield | 7,155 | 8,051 | 896 | 12.52 |
| Hackney | 7,711 | 8,522 | 811 | 10.52 |
| Haringey | 9,234 | 9,768 | 534 | 5.78 |
| Islington | 6,046 | 7,187 | 1,141 | 18.87 |
| Waltham Forest | 9,554 | 10,179 | 625 | 6.54 |
| Total | 58,338 | 64,841 | 6,503 | 11.15 |

| Table 6 | Net Expenditure | Base Levy | RRC Levy | Total | Increase |
|----------------|------------------------|------------------|-----------------|--------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | % |
| 2022/23 | 75,614 | 59,811 | 5,030 | 64,841 | 11.15 |
| 2023/24 | 83,987 | 66,632 | 5,155 | 71,787 | 10.71 |
| 2024/25 | 85,333 | 67,669 | 5,284 | 72,953 | 1.62 |

5.6. It should be noted that the 2022/23 levy apportionment in tables 5 and 6 is based on forecast household waste tonnages for each borough. The forecasts have been informed by the boroughs' own forecasts of their plans for both residual waste and recycling activity in 2021/22 and the amount of recyclable materials that they plan to send to the Authority for treatment. The table therefore provides a guide based on current information.

6. PRUDENTIAL INDICATORS

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

6.2. The Authority usually only sets its indicators once a year, alongside the budget. Prospective companies tendering for the Energy Recovery Facility are currently preparing their tender submissions and the indicative payment profiles in the bids may be different to assumptions made by Authority officers. As a result, the Prudential indicators may have to be revised at a future meeting in 2021.

6.3. Indicators for Affordability

6.3.1. The Authority's capital programme for 2020/21 to 2023/24 includes:

Purchase of the Western Road RRC.

Acquisition of lease for EcoPark land.

Commencement of the preliminary works to construct the Resource Recovery Facility, EcoPark House and the Energy Recovery Facility at the Edmonton EcoPark.

Possible acquisition of waste transfer station should the opportunity arise, and refurbishment works at existing RRC sites.

6.3.2. Based on this capital programme of £804.577m (2020/21 to 2023/24) the following ratios of financing costs to net revenue stream are recommended for approval. It should be noted that for the Authority, the net revenue stream is represented by the levy: -

| Ratio of Financing Costs to Net Revenue Stream | | | | | |
|---|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2019/20 Actual | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
| | 12.74% | 10.98% | 12.19% | 14.04% | 22.29% |

- 6.3.3. The estimate of the incremental impact of capital investment decisions proposed in this budget report, over and above capital investment decisions that have been previously taken by the Authority are:

| Impact on the NLWA Levy | | | | | |
|--------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2019/20 Actual | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
| £m | Nil | -0.850 | -0.493 | 0.321 | 16.008 |

6.4. Indicators for Prudence

- 6.4.1. The Capital Financing Requirement measures the underlying need to borrow. The Code provides that over the medium-term net external borrowing does not exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current and next two years. This provides assurance that borrowing will be incurred only for capital purposes. The Authority met this requirement in 2020/21 and no difficulties are envisaged in 2021/22 or subsequent years. The following Capital Financing Requirements are therefore recommended for approval:

| Capital Financing Requirement | | | | | |
|--------------------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2019/20 Actual | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
| £m | 89 | 164 | 379 | 628 | 838 |

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

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

6.5.1. In 2020/21, the Authority continued the construction of the laydown area, completed the construction of the temporary transport yard and the norther approach, let the contract for the EcoPark South construction and continued to plan for the construction of the Energy Recovery Facility. Planned capital expenditure for 2021/22 to 2023/24 is as outlined in paragraph 6.3.1.

6.5.2. Accordingly, the following estimated capital expenditure is recommended:

| Capital Expenditure | | | | | |
|----------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| £m | Actual | Estimate | Estimate | Estimate | Estimate |
| | 25 | 80 | 222 | 256 | 221 |

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

| Authorised Limit for External Debt | | | | | |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| £m | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| | Actual | Estimate | Estimate | Estimate | Estimate |
| Borrowing | 160 | 290 | 650 | 900 | 1000 |
| Other long term liabilities | Nil | 1 | 1 | 1 | 1 |

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

| Operating Boundary for External Debt | | | | | |
|---|----------------|-----------------|-----------------|-----------------|-----------------|
| £m | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 |
| | Actual | Estimate | Estimate | Estimate | Estimate |
| Borrowing | 160 | 290 | 650 | 900 | 1,000 |
| Other long term liabilities | Nil | 1 | 1 | 1 | 1 |

6.5.5. The following prudential indicators are relevant for setting a treasury management strategy. The Authority has currently only taken fixed interest loans, but the indicators are set at a level that will enable the Authority to react to changing circumstances that may favour the use of variable rate loans.

| Net Principal re Fixed Rate Borrowing | | | | | |
|--|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2019/20 Actual | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
| £m | 160 | 290 | 650 | 900 | 1,000 |

| Net Principal re Variable Rate Borrowing | | | | | |
|---|---------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 2019/20 Actual | 2020/21 Estimate | 2021/22 Estimate | 2022/23 Estimate | 2023/24 Estimate |
| £m | Nil | 0 | 360 | 610 | 710 |

- 6.5.6. In order to ensure flexibility in the loans that might be taken it is recommended that the following maturity structure of fixed rate borrowing is set for 2021/22. Given the Authority's particular investment needs, the limits provide maximum flexibility for short-term borrowing.

| Maturity Structure of fixed rate borrowing during 2021/22 | Upper Limit % | Lower Limit % | Current % |
|--|--------------------------|--------------------------|----------------------|
| Under 12 months | 100 | 0 | 0 |
| 12 months and within 24 months | 100 | 0 | 7 |
| 24 months and within 5 years | 100 | 0 | 7 |
| 5 years and within 10 years | 100 | 0 | 14 |
| 10 years and above | 100 | 0 | 71 |

- 6.5.7. The indicators will be kept under review.

7. MINIMUM REVENUE PROVISION

- 7.1. The Authority is required to set aside a sum from revenue each year for the repayment of debt. This is known as the Minimum Revenue Provision (MRP). Regulations require that the sum set aside is prudent and associated guidance provides several methodologies that local authorities can adopt. Whichever method an authority chooses, the regulations require that it be formally adopted each year.
- 7.2. For 2021/22, the Authority is recommended to adopt a method for borrowing undertaken before 2018/19 (for the purchase of shares in LEL in 2010) that makes provision in equal instalments over the estimated life of the asset concerned.
- 7.3. For all borrowing from 2019/20 (for the North London Heat & Power Project), the Authority is recommended to calculate the MRP on an annuity basis over the estimated life of the asset. This approach is similar to many domestic mortgages and will allow the annual charge for MRP to be smoothed so that it is at a consistent level each year rather than paying a flat MRP charge each year with a slowly reducing amount of interest.

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

- 8.1. Advice is usually provided at this time on the level of reserves and balances available to the Authority, and on the robustness of the estimates that have been used to arrive at the proposed budget. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Financial Adviser) to report to the Authority on:
- 8.1.1. The adequacy of the proposed reserves
 - 8.1.2. The robustness of the budget
- 8.2. The level of balances and the robustness of estimates are closely linked. Balances and reserves should be set at a level that takes account of the financial risks facing the Authority; the greater the level of uncertainty, the more likely balances will be needed. A budget is prepared on the best information available at the time, and inevitably includes some uncertainty.
- 8.3. It is important that in setting the budget Members take account of the uncertainties involved, both in establishing a suitable level of balances and contingencies, and in setting an overall strategy for the budget. This involves, for example, ensuring that only resources likely to be available in the long-term are used to accomplish long-term objectives.
- 8.4. Taking account of the issues raised above, and the proposed retention of revenue balances, the Authority's budget estimates (including contingencies) are sufficiently robust to deal with the current risks and uncertainties facing the Authority. Future budgets will need to be considered on merit and where necessary, strengthened in a period of greater instability.

9. CONCLUSION

- 9.1. The detailed budgets are soundly based and allow for the inclusion of prudent levels of contingency in both the 2020/21 budget forecast and the 2021/22 draft budget. The budgets as set out in this report should be sufficiently robust to meet the Authority's expenditure requirements over this period.
- 9.2. The Authority is forecast to have surplus balances of £3.988m at 31 March 2021. The reasons for this position are set out in this report. The report to the December meeting stated that it was likely that there would be an increase of 9.26% in the levy for 2021/22. Since then, Authority officers have reviewed underpinning assumptions and have liaised with the Members' Finance Working Group and borough Directors of Finance. Both groups were content with the proposed approach and the 2021/22 proposed budget reflects this approach. Members will

be advised of progress against the budget in regular budget review reports to the Authority.

- 9.3. The Authority is in a position to agree the 2021/22 levy at £58.338m (comprising a base levy element of £53.937m and an RRC element of £4.401m). In total, this represents an increase of 5.63% compared with the 2020/21 levy.

10. EQUALITIES IMPLICATIONS

- 10.1. 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.

11. COMMENTS OF THE LEGAL ADVISER

- 11.1. The Authority may in accordance with Regulation 3(1) of the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006, issue levies on its constituent councils to meet all liabilities falling to be discharged by it for which no provision is otherwise made.
- 11.2. The amount to be levied by the Authority in respect of any financial year from each of its constituent councils is determined in accordance with Regulation 4 by apportioning the total amount to be levied either in such proportions as all the constituent councils may agree or in absence of such agreement, by a combination of:
- 11.2.1. Apportioning costs in proportion to the tonnage of household waste delivered by each of council; and
 - 11.2.2. For non-household waste and other costs, apportioning costs on the basis of the council tax base.
- 11.3. All the constituent councils have agreed through the Inter Authority Agreement entered into in 2015 that alternative levy apportionment arrangements will apply from 2015/16 and the menu pricing arrangements referred to above are set out in that Inter Authority Agreement. This meets the requirements of the Joint Waste Disposal Authorities (Levies) (England) Regulations 2006.

List of documents used:

Report to the Authority 13 February 2020 – Budget and Levy 2020/2021

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

Report to the Authority 3 December 2020 – 2020/21 Budget Update

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

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APPENDIX A 2020/21 FORECAST OUTTURN AND FORECAST BALANCES

Table A1 below provides a summary of the current financial position against budget and with a comparison between the December and February Forecasts:

| Table A1 | 2020/21 Budget | 2020/21 Q3 Forecast | 2020/21 Current Forecast | Variance |
|---|---------------------------|------------------------------------|---|-----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Expenditure | | | | |
| Main Waste Disposal Contract (ex RRC Waste) | 38,766 | 39,065 | 39,139 | 74 |
| Landfill Tax | 1,438 | 1,444 | 1,444 | 0 |
| Biodegradable Waste Services | 1,707 | 1,758 | 1,790 | 32 |
| MRF Services | 10,012 | 9,559 | 9,559 | 0 |
| Transfer Station and Other Sites | 1,904 | 1,301 | 1,312 | 11 |
| Corporate and Other Support Service Costs | 2,994 | 2,624 | 2,472 | (152) |
| Strategy & Services Team | 601 | 567 | 639 | 72 |
| Waste Prevention Programme | 519 | 461 | 361 | (100) |
| Joint Communications Initiative | 200 | 100 | 100 | 0 |
| Recycling Initiatives | 246 | 71 | 107 | 36 |
| North London Heat and Power Project | 1,414 | 751 | 787 | 36 |
| Revenue Funding – Capital Programme | 6,912 | 6,179 | 6,063 | (116) |
| | 66,713 | 63,880 | 63,773 | (107) |
| Reuse and Recycling Centres Expenditure | | | | |
| Residual Waste | 876 | 689 | 669 | (20) |
| Landfill Tax | 123 | 97 | 94 | (3) |
| Operating Costs | 3,750 | 3,495 | 3,401 | (94) |
| | 4,749 | 4,281 | 4,164 | (117) |
| Income | | | | |
| Rents | (121) | (121) | (121) | 0 |
| Sale of Recyclates | (2,291) | (2,546) | (2,720) | (174) |
| Interest on Balances | (40) | (40) | (40) | 0 |
| | (2,452) | (2,707) | (2,881) | (174) |
| Net Expenditure | 69,010 | 65,454 | 65,056 | (398) |
| Contingency | 2,779 | 2,280 | 2,280 | 0 |
| Total Net Expenditure | 71,789 | 67,734 | 67,336 | (398) |
| Financed By | | | | |
| Use of Balances | (5,540) | (8,443) | (8,443) | 0 |
| Charges to Boroughs (Non-household waste) | (9,105) | (6,352) | (6,419) | (67) |
| Charges to Boroughs (Chargeable Household Waste) | (1,915) | (1,201) | (1,233) | (32) |
| 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) | (71,225) | (71,324) | (99) |
| Estimated Additional Revenue Balances at 31 March 2021 | 0 | (3,491) | (3,988) | (497) |

Tonnage Forecasts

The tonnage tables A2-A6 have been reviewed based on actual tonnages to November and in consultation with borough officers for the remaining 4 months. This has taken particular account of the effect of Covid-19 on the waste streams.

Table A2 – 2020/21 residual waste tonnage forecast.

| | 2019/20 Actual Tonnes | 2020/21 Budget Tonnes | 2020/21 Q4 Forecast Tonnes | Change Tonnes to Original Budget | Change Q4 vs Budget % |
|----------------|--------------------------------------|--------------------------------------|---|---|--------------------------------------|
| Barnet | 106,584 | 106,674 | 112,030 | +5,356 | 5.02% |
| Camden | 75,293 | 74,301 | 65,080 | -9,221 | -12.41% |
| Enfield | 91,057 | 89,382 | 90,601 | +1,219 | 1.36% |
| Hackney | 88,655 | 88,845 | 84,973 | -3,871 | -4.36% |
| Haringey | 73,940 | 71,566 | 74,093 | +2,527 | 3.53% |
| Islington | 79,336 | 77,603 | 71,591 | -6,012 | -7.75% |
| Waltham Forest | 71,709 | 67,178 | 71,678 | +4,500 | 6.70% |
| Total | 586,574 | 575,550 | 570,047 | -5,503 | -0.96% |

Table A3 – 2020/21 mixed organic waste tonnage forecast.

| | 2019/20 Actual Tonnes | 2020/21 Budget Tonnes | 2020/21 Q4 Forecast Tonnes | Change Tonnes to Original Budget | Change Q4 vs Budget % |
|----------------|--------------------------------------|--------------------------------------|---|---|--------------------------------------|
| Barnet | 0 | 0 | 0 | +0 | N/A |
| Camden | 11 | 0 | 0 | +0 | N/A |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 0 | 0 | 0 | +0 | N/A |
| Haringey | 4,381 | 0 | 4,976 | +4,976 | N/A |
| Islington | 3,793 | 3,904 | 3,780 | -124 | -3.18% |
| Waltham Forest | 6,876 | 6,627 | 10,068 | +3,441 | 51.92% |
| Total | 15,061 | 10,531 | 18,824 | +8,293 | 78.75% |

Table A4 – 2020/21 Food waste tonnage forecast.

| | 2019/20 Actual Tonnes | 2020/21 Budget Tonnes | 2020/21 Q4 Forecast Tonnes | Change Tonnes to Original Budget | Change Q4 vs Budget % |
|----------------|--------------------------------------|--------------------------------------|---|---|--------------------------------------|
| Barnet | 0 | 0 | 54 | +54 | N/A |
| Camden | 2,657 | 2,446 | 2,883 | +437 | 17.88% |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 4,903 | 4,444 | 4,944 | +500 | 11.24% |
| Haringey | 1,066 | 3,074 | 0 | -3,074 | -100.00% |
| Islington | 0 | 0 | 0 | +0 | N/A |
| Waltham Forest | 484 | 427 | 0 | -427 | -100.00% |
| Total | 9,110 | 10,391 | 7,881 | -2,510 | -24.16% |

Table A5 – 2020/21 Garden waste tonnage forecast.

| | 2019/20 Actual Tonnes | 2020/21 Budget Tonnes | 2020/21 Q4 Forecast Tonnes | Change Tonnes to Original Budget | Change Q4 vs Budget % |
|----------------|--------------------------------------|--------------------------------------|---|---|--------------------------------------|
| Barnet | 13,870 | 12,000 | 10,013 | -1,987 | -16.56% |
| Camden | 1,695 | 1,632 | 1,760 | +128 | 7.83% |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 2,526 | 2,900 | 2,646 | -254 | -8.76% |
| Haringey | 363 | 2,661 | 1,718 | -943 | -35.43% |
| Islington | 594 | 682 | 536 | -146 | -21.34% |
| Waltham Forest | 1,482 | 2,262 | 198 | -2,064 | -91.24% |
| Total | 20,530 | 22,137 | 16,872 | -5,265 | -23.78% |

Table A6 – 2020/21 MDR tonnage forecast.

| | 2019/20 Actual Tonnes | 2020/21 Budget Tonnes | 2020/21 Q4 Forecast Tonnes | Change Tonnes to Original Budget | Change Q4 vs Budget % |
|----------------|--------------------------------------|--------------------------------------|---|---|--------------------------------------|
| Barnet | 26,535 | 27,500 | 29,602 | +2,103 | 7.65% |
| Camden | 16,669 | 18,473 | 14,763 | -3,710 | -20.08% |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 18,470 | 18,162 | 19,272 | +1,111 | 6.11% |
| Haringey | 16,982 | 17,726 | 19,417 | +1,691 | 9.54% |
| Islington | 15,973 | 16,276 | 15,028 | -1,249 | -7.67% |
| Waltham Forest | 15,956 | 16,389 | 19,388 | +2,998 | 18.29% |
| Total | 110,585 | 114,526 | 117,469 | +2,944 | 2.57% |

Re-use and Recycling Centre (RRCs) Balances:

Under the menu-price based levy, the net costs of operating each RRC is attributed to boroughs in accordance with a visitor survey. Under or 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 arising in 2019/20 of £0.135m to add to the cost of RRCs in 2019/20. The 2019/20 outturn produced balances at 31 March 2019 of £0.214m, an increase of £0.079m.

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 | 1,097 | 926 | (171) | (146) |
| Camden | 45 | 527 | 457 | (70) | (25) |
| Enfield* | 0 | 34 | 30 | (4) | (4) |
| Hackney | 2 | 247 | 231 | (16) | (14) |
| Haringey | (4) | 728 | 622 | (106) | (110) |
| Islington | 29 | 784 | 691 | (93) | (64) |
| Waltham Forest | (18) | 1,332 | 1,207 | (125) | (143) |
| Total | 79 | 4,749 | 4,164 | (585) | (506) |

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

RRC balances of £0.506m owed by the Authority to boroughs will be taken into account in calculating the RRC element of the 2021/22 levy.

Base Levy Balances at 31 March 2021

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 levy included estimated balances of £5.668m 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 2020 (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 | 11,495 | 121 | (302) |
| Camden | (427) | 5,053 | 4,260 | (793) | (1,220) |
| Enfield | (599) | 6,973 | 7,028 | 55 | (544) |
| Hackney | (500) | 6,829 | 6,874 | 45 | (455) |
| Haringey | (312) | 7,179 | 7,440 | 261 | (51) |
| Islington | (409) | 5,558 | 5,160 | (398) | (807) |
| Waltham Forest | (313) | 7,379 | 7,589 | 210 | (103) |
| Total | (2,983) | 50,345 | 49,846 | (499) | (3,482) |

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 | 2020/21 Current Forecast | Estimated Variance |
|-----------------|--------------------------------|---------------------------------|---------------------------|
| | £'000 | £'000 | £'000 |
| Barnet | 1,020 | 724 | (296) |
| Camden* | 2,286 | 1,735 | (551) |
| Enfield | 843 | 615 | (228) |
| Hackney* | 1,896 | 1,207 | (689) |
| Haringey * | 351 | 159 | (192) |
| Islington * | 2,600 | 1,880 | (720) |
| Waltham Forest | 109 | 99 | (10) |
| Total | 9,105 | 6,419 | (2,686) |

*Including income from non-household recyclable wastes.

Charges to Boroughs for Chargeable Household Waste:

Forecast charges to Boroughs for the disposal of Chargeable household waste in 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 | 149 | (51) |
| Camden* | 487 | 242 | (245) |
| Enfield | 125 | 49 | (76) |
| Hackney* | 558 | 383 | (175) |
| Haringey * | 245 | 210 | (35) |
| Islington * | 284 | 199 | (85) |
| Waltham Forest | 16 | 0 | (16) |
| Total | 1,915 | 1,232 | (683) |

APPENDIX B 2021/22 BUDGET FORECAST OF LEVY & CHARGES

Table B1 below provides a summary of the 2021/22 draft budget:

| Table B1 | 2020/21 Budget | 2021/22 Current Forecast | Variance |
|--|---------------------------|---|-----------------|
| | £'000 | £'000 | £'000 |
| Expenditure | | | |
| Main Waste Disposal Contract (ex RRC Waste) | 38,766 | 39,655 | 889 |
| Landfill Tax | 1,438 | 1,619 | 181 |
| Biodegradable Waste Services | 1,707 | 1,737 | 30 |
| MRF Services | 10,012 | 9,889 | (123) |
| Transfer Station and Other Sites | 1,904 | 2,310 | 406 |
| Corporate and Other Support Service Costs | 2,994 | 2,869 | (125) |
| Strategy & Services Team | 601 | 865 | 264 |
| Waste Prevention Programme | 519 | 523 | 4 |
| Recycling Communications | 200 | 150 | (50) |
| Recycling Initiatives | 246 | 259 | 13 |
| North London Heat and Power Project | 1,414 | 752 | (662) |
| Revenue Funding – Capital Programme | 6,912 | 7,114 | 202 |
| | 66,713 | 67,741 | 1,028 |
| Reuse and Recycling Centres Expenditure | | | |
| Residual Waste | 876 | 986 | 110 |
| Landfill Tax | 123 | 149 | 26 |
| Operating Costs | 3,750 | 3,771 | 21 |
| | 4,749 | 4,906 | 157 |
| Income | | | |
| Rents | (121) | (125) | (4) |
| Sale of Recyclates | (2,291) | (2,250) | 41 |
| Interest on Balances | (40) | (40) | 0 |
| | (2,452) | (2,415) | 37 |
| Net Expenditure | 69,010 | 70,232 | 1,222 |
| Contingency | 2,779 | 2,405 | (374) |
| Total Net Expenditure | 71,789 | 72,637 | 848 |
| Financed By | | | |
| Use of Balances | (5,540) | (3,988) | 1,552 |
| Charges to Boroughs (Non-household waste) | (9,105) | (8,543) | 562 |
| Charges to Boroughs (Chargeable Household Waste) | (1,915) | (1,769) | 146 |
| 2021/22 Levy - Base Element | (50,345) | (53,937) | (3,592) |
| - HWRC Element | (4,884) | (4,401) | 483 |
| Total Levy | (55,229) | (58,338) | (3,109) |
| Total Resources Available | (71,789) | (72,637) | (848) |
| Estimated Additional Revenue Balances at 31 March | 0 | 0 | 0 |

Tonnage Forecasts

The tonnage tables B2-B6 have been reviewed based on actual tonnage delivered over the past 12 months and adjusted where officers, after consultation with borough counterparts, are aware of planned service changes and to try and allow for the effects of Covid-19.

Table B2 – 2021/22 residual waste tonnage forecast.

| | 2019/20 | 2020/21 | 2021/22 | | |
|----------------|----------------|-----------------|----------------|---------------|---------------|
| | Actual | Forecast | Budget | Change | Change |
| | Tonnes | Tonnes | Tonnes | Tonnes | % |
| Barnet | 106,584 | 112,030 | 116,048 | +4,018 | 3.59% |
| Camden | 75,293 | 65,080 | 74,401 | +9,321 | 14.32% |
| Enfield | 91,057 | 90,601 | 87,456 | -3,145 | -3.47% |
| Hackney | 88,655 | 84,973 | 85,284 | +310 | 0.37% |
| Haringey | 73,940 | 74,093 | 75,227 | +1,134 | 1.53% |
| Islington | 79,336 | 71,591 | 73,949 | +2,359 | 3.29% |
| Waltham Forest | 71,709 | 71,678 | 69,776 | -1,901 | -2.65% |
| Total | 586,574 | 570,047 | 582,142 | 12,095 | 2.12% |

Table B3 – 2021/22 mixed organic waste tonnage forecast.

| | 2019/20 | 2020/21 | 2021/22 | | |
|----------------|----------------|-----------------|----------------|---------------|----------------|
| | Actual | Forecast | Budget | Change | Change |
| | Tonnes | Tonnes | Tonnes | Tonnes | % |
| Barnet | 0 | 0 | 0 | +0 | N/A |
| Camden | 11 | 0 | 0 | +0 | N/A |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 0 | 0 | 0 | +0 | N/A |
| Haringey | 4,381 | 4,976 | 4,728 | -248 | -4.99% |
| Islington | 3,793 | 3,780 | 3,793 | +13 | 0.35% |
| Waltham Forest | 6,876 | 10,068 | 8,253 | -1,815 | -18.03% |
| Total | 15,061 | 18,824 | 16,774 | -2,050 | -10.89% |

Table B4 – 2021/22 Food waste tonnage forecast.

| | 2019/20 | 2020/21 | 2021/22 | | |
|----------------|----------------|-----------------|----------------|---------------|---------------|
| | Actual | Forecast | Budget | Change | Change |
| | Tonnes | Tonnes | Tonnes | Tonnes | % |
| Barnet | 0 | 54 | 1 | -53 | -98.66% |
| Camden | 2,657 | 2,883 | 2,640 | -243 | -8.43% |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 4,903 | 4,944 | 6,448 | +1,504 | 30.43% |
| Haringey | 1,066 | 0 | 0 | +0 | N/A |
| Islington | 0 | 0 | 0 | +0 | N/A |
| Waltham Forest | 484 | 0 | 0 | +0 | N/A |
| Total | 9,110 | 7,881 | 9,089 | +1,208 | 15.33% |

Table B5 – 2021/22 Garden waste tonnage forecast.

| | 2019/20 | 2020/21 | 2021/22 | | |
|----------------|----------------|-----------------|----------------|---------------|---------------|
| | Actual | Forecast | Budget | Change | Change |
| | Tonnes | Tonnes | Tonnes | Tonnes | % |
| Barnet | 13,870 | 10,013 | 10,944 | +931 | 9.30% |
| Camden | 1,695 | 1,760 | 1,793 | +33 | 1.90% |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 2,526 | 2,646 | 2,699 | +53 | 1.99% |
| Haringey | 363 | 1,718 | 2,233 | +515 | 29.99% |
| Islington | 594 | 536 | 676 | +139 | 25.93% |
| Waltham Forest | 1,482 | 198 | 156 | -42 | -21.20% |
| Total | 20,530 | 16,872 | 18,501 | +1,629 | 9.66% |

Table B6 – 2021/22 MDR tonnage forecast.

| | 2019/20 | 2020/21 | 2021/22 | | |
|----------------|----------------|-----------------|----------------|---------------|---------------|
| | Actual | Forecast | Budget | Change | Change |
| | Tonnes | Tonnes | Tonnes | Tonnes | % |
| Barnet | 26,535 | 29,602 | 29,600 | -3 | -0.01% |
| Camden | 16,669 | 14,763 | 16,452 | +1,689 | 11.44% |
| Enfield | 0 | 0 | 0 | +0 | N/A |
| Hackney | 18,470 | 19,272 | 20,927 | +1,654 | 8.58% |
| Haringey | 16,982 | 19,417 | 18,303 | -1,113 | -5.73% |
| Islington | 15,973 | 15,028 | 16,184 | +1,157 | 7.70% |
| Waltham Forest | 15,956 | 19,388 | 17,458 | -1,930 | -9.95% |
| Total | 110,585 | 117,469 | 118,924 | 1,454 | 1.24% |

Re-use and Recycling Centre Levy

The amounts charged to the relevant boroughs through the 2021/22 levy allow for the 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 | (146) | 1,105 | 959 |
| Camden | (25) | 532 | 507 |
| Enfield | (4) | 217 | 213 |
| Hackney | (14) | 250 | 236 |
| Haringey | (110) | 735 | 625 |
| Islington | (64) | 766 | 702 |
| W. Forest | (143) | 1,302 | 1,159 |
| Total | (506) | 4,907 | 4,401 |

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 | (302) | 12,792 | 12,490 |
| Camden | (1,220) | 5,902 | 4,682 |
| Enfield | (544) | 7,486 | 6,942 |
| Hackney | (455) | 7,930 | 7,475 |
| Haringey | (51) | 8,660 | 8,609 |
| Islington | (807) | 6,151 | 5,344 |
| W. Forest | (103) | 8,498 | 8,395 |
| Total | (3,482) | 57,419 | 53,937 |

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* | 12,676 | 1,118 |
| Camden* | 28,370 | 2,409 |
| Enfield | 7,904 | 701 |
| Hackney* | 20,855 | 1,752 |
| Haringey * | 2,338 | 199 |
| Islington * | 25,924 | 2,247 |
| Waltham Forest | 1,320 | 117 |
| Total | 99,387 | 8,543 |

* 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 | 2,057 | 182 |
| Camden | 3,898 | 335 |
| Enfield | 2,170 | 193 |
| Hackney | 6,705 | 553 |
| Haringey | 2,881 | 246 |
| Islington | 3,336 | 260 |
| Waltham Forest * | 0 | 0 |
| Total | 21,046 | 1,769 |

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

Waltham Forest has indicated that it does not collect such waste. Arrangements for the settling of over or under payments by the boroughs are the same as for non-household waste.

APPENDIX C MEDIUM TERM FORECAST 2022/23-2024/25

The Table at C1 below shows the budgeted forecast for the next 3 years.

| | 2022/23 | 2023/24 | 2024/25 |
|--|----------------------|----------------------|----------------------|
| | Budget | Budget | Budget |
| | Forecast | Forecast | Forecast |
| | £'000 | £'000 | £'000 |
| Expenditure | | | |
| Main Waste Disposal Contract (ex RRC Waste) | 40,291 | 41,157 | 42,091 |
| Landfill Tax | 1,608 | 1,645 | 1,675 |
| Biodegradable Waste Services | 1,780 | 1,824 | 1,870 |
| MRF Services | 10,135 | 10,389 | 10,648 |
| Transfer Station and Other Sites | 2,125 | 2,179 | 2,233 |
| Corporate and Other Support Service Costs | 2,941 | 3,015 | 3,090 |
| Operations Team | 886 | 909 | 931 |
| Waste Prevention Programme | 536 | 550 | 563 |
| Joint Communications Initiative | 150 | 0 | 0 |
| Recycling Initiatives | 266 | 272 | 279 |
| North London Heat and Power Project | 771 | 791 | 810 |
| Revenue Funding – Capital Programme | 9,106 | 16,010 | 15,802 |
| | <u>70,595</u> | <u>78,740</u> | <u>79,992</u> |
| Reuse and Recycling Centre Expenditure | | | |
| RRC Residual Waste | 1,011 | 1,036 | 1,062 |
| RRC Landfill Tax | 153 | 157 | 161 |
| RRC Operations | 3,866 | 3,963 | 4,061 |
| Revenue Funding – Capital Programme | 0 | 0 | 0 |
| | <u>5,030</u> | <u>5,156</u> | <u>5,284</u> |
| Less | | | |
| Income | | | |
| Rents | (128) | (131) | (134) |
| Sale of Recyclates | (2,306) | (2,364) | (2,423) |
| Interest on Balances | (40) | (40) | (40) |
| | <u>(2,474)</u> | <u>(2,535)</u> | <u>(2,597)</u> |
| Net Expenditure | 73,151 | 81,360 | 82,679 |
| Contingency | 2,463 | 2,627 | 2,654 |
| Total Net Expenditure | <u>75,614</u> | <u>83,987</u> | <u>85,333</u> |
| Percentage change in net expenditure | 5.33% | 11.07% | 1.60% |
| Financed by: | | | |
| Use of Balances | 0 | 0 | 0 |
| Charges to Boroughs (Non-household waste) | (8,927) | (10,115) | (10,264) |
| Charges to Boroughs (Chargeable household waste) | (1,836) | (2,085) | (2,116) |
| Estimated Levy – RRC Element | (5,030) | (5,155) | (5,284) |
| Estimated Levy – Base Element | (59,811) | (66,632) | (67,669) |
| Total Estimated Levy | <u>(64,841)</u> | <u>(71,787)</u> | <u>(72,953)</u> |
| Total Estimated Resource Requirement | (75,604) | (83,987) | (85,333) |
| Percentage Increase in the Levy | 11.15% | 10.71% | 1.62% |

Report Ends