

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: 2021/22 FINANCE UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 10 FEBRUARY 2022

SUMMARY OF REPORT:

This report provides an update on the Authority's finances and forecast outturn at the end of March 2022.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Note the delayed audit of 2020/21 accounts;
- B. Note this review of the 2021/22 revenue budget

SIGNED: Jon Rowney, Financial Adviser

DATE: 31 January 2022

1. INTRODUCTION

- 1.1. This report contains a review of the 2021/22 budget, along with tables detailing other key budget information including forecast balances in Appendix A.
- 1.2. The report concludes that the Authority is currently forecast to have a revenue surplus of £9.266m at 31 March 2022. This is an increase in balances of £1.458m, compared with the update to the December 2021 Authority meeting.

2. UPDATE ON THE 2020/21 AUDIT OF THE STATEMENT OF ACCOUNTS

- 2.1. The External Audit Strategy Memorandum for the 2020/21 financial statements issued by Mazars, which sets out the stages of the audit process was reported to Members at the Authority meeting in December 2021.
- 2.2. The audit is planned to begin in early February 2022 with the intention of holding an Audit Committee in early April.

3. TONNAGE PERFORMANCE UPDATE

- 3.1. Officers have met with borough counterparts to review the tonnage forecast for 2021/22 and 2022/23. These were reviewed at Member Finance Working Group on 13 January, borough Directors of Environment on 7 January and Directors of Finance on 21 January.

Residual Tonnage

- 3.2. Table 1 below details the movement of total residual waste from 2019/20 to the current year forecast of residual waste tonnages. The total line is this is made up of household waste (levy) and Non-household and Chargeable waste.

Table 1:

Residual	Waste Type	19/20 Outturn Tonnage	20/21 Outturn Tonnage	21/22 Q4 Forecast Tonnage
NLWA	Household (levy)^	476,272	492,729	488,429
	Non Household	91,636	65,412	77,257
	Chargeable Household	18,666	12,253	16,039
	Total	586,574	570,394	581,725

^ 21/22 Q4 FORECAST INCLUDES 470,125 TONNES DELIVERED RESIDUAL WASTE, 14,775 TONNES RRC RESIDUAL WASTE, 3,529 TONNES OTHER

- 3.3. The table shows household waste tonnages have been higher since 2020/21 when lockdown measures to contain the spread of COVID 19 were introduced, as a result residents spent more time at home.

- 3.4. The forecast for household delivered residual tonnage (excluding RRC waste) during 2021/22 of 470,125 tonnes (t) is lower than the budget tonnage of 478,961t, providing a credit balance that is used to reduced costs in 22/23.
- 3.5. Non-Household waste (commercial waste) tonnage however has dropped significantly during the same period, and while we have seen some bounce back during 2021/22, the commercial waste portfolio remains lower than 2019/20 levels.
- 3.6. COVID 19 has undoubtedly had a major influence over total NLWA waste flows since 2020/21, for our member boroughs the impacts have been slightly different and can be broadly split into three patterns.
- 3.7. Barnet, Haringey and Waltham Forest have similar trends – waste steady with some increases, probably reflecting residents spending increased time at home. Barnet has highest waste growth reflecting major housing plans.
- 3.8. Enfield only supply residual waste to the Authority. This has reduced slightly, as a result of service changes
- 3.9. Camden, Hackney and Islington have similar trends – Pre-pandemic, commercial residual waste was around 30% of total residual waste. Commercial waste has fluctuated and been hard to forecast. This has generally meant less predictable costs and greater variability.

Recycling Tonnage

- 3.10. Table 2 below details Dry Mixed Recycling (DMR) and Organic performance since 2019/20.
- 3.11. Total DMR has increased, reflecting the fact residents stayed at home during the lockdown. While the recycling improvement is welcome it is not sufficiently large to push the NLWA recycling rate above 30%.

Table 2:

	Waste Type	19/20 Outturn Tonnage	20/21 Outturn Tonnage	21/22 Q4 Forecast Tonnage
NLWA	NLWA - DMR	110,585	117,728	115,788
	NLWA – Mixed Organic	44,702	42,460	46,944

- 3.12. Organic Waste remains relatively low, reflecting the difficulties Boroughs experience particularly in removing food waste from the residual waste stream.

4. 2021/22 REVENUE BUDGET UPDATE

- 4.1. At the Authority meeting in June, Members were advised that the 2020/21 outturn had included a revenue surplus of £3.887m at 31 March 2021. After taking into consideration budgeted items brought forward from 2020/21 into 2021/22 for ongoing work, the balance of £3.754m was available to support the 2022/23 levy. In updates to subsequent Authority meetings, further savings of £4.054m have been identified mainly due to increased sale price of recyclates and savings on the electricity claim caused by improved market prices, and concluded the forecast balances arising at end of the financial year to be £7.808m. Subject to further changes, this balance would be available to support the 2022/23 budget and levy.

Accounting Standard - International Financial Reporting Standard 16

- 4.2. International Financial Reporting Standard 16 (IFRS16) – lease accounting has been implemented for the 2021/22 financial year. Following an internal review of the presentational requirements required for the financial statements, the budget in this report has been restated to ensure that there is consistency between the budget report and the Expenditure and Funding Analysis in the 2021/22 statement of accounts.
- 4.3. IFRS16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. The Authority has identified the leases that will need to bring onto the balance sheet. Overall, this has a nil impact on the Authority budget and forecast. For presentational purpose, the budget and forecast figures for Transfer Station and Other Sites, Corporate & Other Support Service and Revenue Funding - Capital Programme, have been restated, in line with the presentation in the final accounts.

	Items on Table A1			Total (A + B + C) £000s
	Transfer Station & Other Sites (A)	Corporate & Other Support Service (B)	Revenue Funding: Capital Programme (C)	
	£000s	£000s	£000s	
Orginal 21/22 Budget	2,260	2,868	7,113	12,241
<i>IFRS 16 adjustment:</i>				
Wembley transfer station lease	(637)		637	
Berol House lease		(111)	111	
Lease Vehicles		(10)	10	
	(637)	(121)	758	0
Restated 21/22 Budget	1,623	2,747	7,871	12,241

Financial Savings and Pressures

- 4.4. The latest forecast for 2021/22 has identified further savings in net expenditure of £1.754m compared to the December update to the Authority, as shown in Table A1 in Appendix A. The following paragraphs address the changes that have been identified in this forecast and where necessary, any mitigating actions.

Transport and Disposal: (-£0.489m)

- 4.5. The change forecast cost is largely due to saving on the electricity claim caused by improved market prices for electricity generated at the EcoPark. The contract with LondonEnergy Ltd (LEL) provides for an element of risk sharing in relation to the prices achieved for the electricity generated at the EcoPark. As LEL succeeds in securing higher prices, the Authority is required to compensate LEL less, resulting in a forecast reduction of £0.295m compared with the December review.
- 4.6. Based on actual residual waste tonnage and the borough officer's own expectations for the remainder of the year, the Authority is projecting a total 581,725 tonnes of residual waste in 2021/22 (including RRC, asbestos and rejected DMR tonnages), a reduction of 4,223 tonnes residual wastes compared to the December review. This reduction is made up of household waste (-3,380 tonnes), non-household (-840 tonnes), chargeable household waste (-3 tonnes). The 2021/22 forecast residual tonnage compared with budget for each borough is detailed in the Table A2 in Appendix A .
- 4.7. Prices in the Authority's waste contracts including its contract with LEL are linked to changes in the Retail Price Index (RPI). The December review allowed for an increase of 6.0% at the relevant review date (1st January for most LEL prices) for these contracts. The December RPI increase is 7.5%, and budget forecast has been updated to reflect the additional 1.5% inflationary increase.
- 4.8. The net effect of these changes above is forecast to reduce the cost to the Authority by £0.489m in 2021/22 compared with the December budget review

Composting Waste Services: (+£0.045m)

- 4.9. There has been a decrease in biodegradable tonnage since the December report with green waste decreasing by 142 tonnes, food waste decreasing by 43 tonnes, mixed food and green waste decreasing by 357 tonnes. The existing food and mixed biodegradable waste recycling contracts have been extended for a further three months, for which the gate fee is at a higher cost. A breakdown of the forecasts for each waste type, by borough, compared with budget are shown in Table A3 to A5 in Appendix A.

Materials Recovery Facility Services: (-£0.087m)

- 4.10. Tonnages of dry recyclable material processed by the Authority's Materials Recovery Facility (MRF) providers are forecast to be 1,262 tonnes lower than in the December review. The decrease in tonnage and inflationary increase of LEL bulking charges has led to a net decrease in costs of £0.087m. A breakdown of the forecast by borough is provided in Table A6 in Appendix A.

Transfer Station and Other Sites: (-£0.277m)

- 4.11. The transfer station and other sites budget update reflects the release of business rates provisions and settlement from Barnet following the completion of Hendon lease surrender.

Corporate and Other Support Services and Strategy & Service team: (-£0.044m)

- 4.12. The Corporate Services including Strategy & Service budget update reflects net savings of £0.044m mainly from part year vacancies and other external costs.

4.13. **Waste Prevention Programme: (-£0.141m)**

The budget for the repair & upcycling project, behaviour change project and community fund within the Waste Prevention Programme (£0.111m) has been re-profiled to 2022/23.

Reuse and Recycling Centres (RRCs): (- £0.074m)

- 4.14. There is a forecast reduction in residual waste and recyclates tonnages expected at RRC sites, leading to a decrease in disposal costs including landfill tax. This more than offsets additional operating cost, and results in an improved budget position of £0.074m.

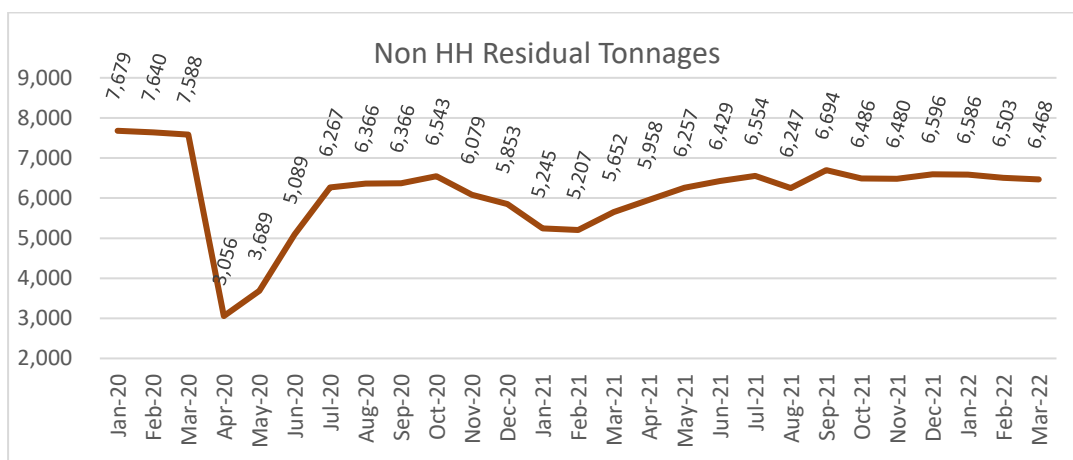
Income from Sale of Recyclates: (-£0.651m)

- 4.15. The forecast income from sales of recyclates has been increased to reflect the market prices and lower tonnage. The actual net basket price for the 4th quarter of 2021/22 (£75.30 per tonne) is higher than was forecast (£49.93 per tonne).

Charges to Boroughs for Non-Household Waste: (+0.251m)

- 4.16. The delta and omicron variants of COVID-19 have led to a continued suppression of non-household waste tonnages when compared to pre-pandemic levels. The current 2021/22 forecast for non-household waste indicates that tonnages will be below budget by 8,736 tonnes, a further reduction of 2,509 tonnes compared to

December forecast. The following graph illustrates the non-household residual tonnages and suggests it has not yet recovered to pre-COVID-19 levels.



- 4.17. Although this is shown as a cost pressure to the Authority, Table A9 in Appendix A shows that most boroughs are forecast to receive a refund as they make payments on account based on the budgeted figure.

Charges to Boroughs for Chargeable Household Waste: (+0.045m)

- 4.18. The latest declarations by the boroughs indicate a total decrease of 539 tonnes compared with the December update. Estimated charges are shown in Table A10 in Appendix A. Most boroughs are forecast to receive a refund from the Authority for this category of waste.

Balances at 31 March 2022

- 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.

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 2022/23 levy, as discussed in the paper elsewhere on this agenda.

Overview

- 4.20. Allowing for the factors outlined above, the total net expenditure in 2021/22 for the Authority is estimated to be £65.268m. This represents a decrease of £1.754m compared with the December update. Taking into account a decrease in non-household and household charges since December of £0.296m, the net revenue

surplus at 31 March 2022 is forecast to be £9.266m, i.e. an increase of £1.458m since the December review.

5. EQUALITIES IMPLICATIONS

- 5.1. 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

6. COMMENTS OF THE LEGAL ADVISER

- 6.1. ...The Legal Adviser has been consulted in the preparation of this report and has no comments to add.

List of documents used:

Report to the Authority 11 February 2021 – Revenue Budget and Levy 2021/22
Report to the Authority 16 December 2021 –2021/22 Finance Update
2021/22 Budgetary Control working papers

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Appendix A FINANCIAL TABLES TO SUPPORT THE REPORT

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

Table A1	2021/22 Budget	2021/22 Q3 Forecast	2021/22 Current Forecast	Variance
	£'000	£'000	£'000	£'000
Expenditure				
Main Waste Disposal Contract (ex RRC Waste)	39,655	38,391	37,902	(489)
Landfill Tax	1,619	1,540	1,540	0
Composting Waste Services	1,736	1,912	1,957	45
MRF Services	9,889	10,104	10,017	(87)
Transfer Station and Other Sites	1,623	1,554	1,277	(277)
Corporate and Other Support Service Costs	2,747	2,839	2,778	(61)
Strategy & Services Team	865	793	810	17
Waste Prevention Programme	523	493	352	(141)
Recycling Communications	150	85	85	0
Recycling Initiatives	259	194	187	(7)
North London Heat and Power Project	752	811	811	0
Revenue Funding – Capital Programme	7,871	7,698	7,698	0
	67,689	66,414	65,414	(1,000)
Reuse and Recycling Centres Expenditure				
Residual Waste	983	1,044	1,019	(25)
Landfill Tax	149	162	157	(5)
Operating Costs	3,708	3,568	3,524	(44)
	4,840	4,774	4,700	(74)
Less				
Income				
Rents	(125)	(125)	(125)	0
Sale of Recyclates	(2,474)	(6,410)	(7,061)	(651)
Interest on Balances	(90)	(28)	(57)	(29)
	(2,689)	(6,563)	(7,243)	(680)
Net Expenditure	69,840	64,625	62,871	(1,754)
Contingency	2,397	2,397	2,397	0
Total Net Expenditure	72,237	67,022	65,268	(1,754)
Financed By				
Use of Balances	(4,157)	(8,043)	(8,043)	0
Charges to Boroughs (Non-household waste)	(8,510)	(7,385)	(7,134)	251
Charges to Boroughs (Chargeable Household Waste)	(1,772)	(1,604)	(1,559)	45
2021/22 Levy - Base Element	(53,584)	(53,584)	(53,584)	0
- HWRC Element	(4,214)	(4,214)	(4,214)	0
Total Levy	(57,798)	(57,798)	(57,798)	0
Total Resources Available	(72,237)	(74,830)	(74,534)	296
Estimated Additional Revenue Balances at 31 March 2022	0	(7,808)	(9,266)	(1,458)

TABLE A2 – RESIDUAL WASTE FORECAST

Table A2	2020/21	2021/22	2021/22 Q4	Change	Change Q4
	Actual	Budget *	Forecast	Tonnes to	vs Budget
	Tonnes	Tonnes	Tonnes	Original	%
				Budget	
Barnet	112,161	120,386	112,455	-7,931	-6.59
Camden	63,204	75,474	69,670	-5,804	-7.69
Enfield	88,750	90,552	91,466	+914	+1.01
Hackney	85,358	85,472	85,112	-360	-0.42
Haringey	74,643	77,608	74,214	-3,394	-4.37
Islington	71,165	75,234	73,976	-1,258	-1.67
Waltham Forest	75,113	74,886	74,832	-54	-0.07
Total	570,394	599,612	581,725	-17,887	-2.98

*2021/22 Budget tonnage includes 582,142 Household & Clinical tonnages (as reported in Authority Meeting 11/02/21 Table B2), 14,252 RRC Residual tonnages, 3,197 Rejected/contaminated tonnages, 21 Other tonnages (e.g. Asbestos etc...)

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

Table A3: Mixed Organic	2020/21	2021/22	2021/22 Q4	Change	Change Q4 vs
	Actual	Budget	Forecast	Tonnes to	Budget
	Tonnes	Tonnes	Tonnes	Original	%
				Budget	
Barnet	1	0	0	+0	N/A
Camden	0	0	0	+0	N/A
Enfield	0	0	0	+0	N/A
Hackney	9	0	0	+0	N/A
Haringey	1,960	240	804	+564	+235.00
Islington	3,708	3,793	3,929	+136	+3.59
Waltham Forest	9,223	8,253	9,837	+1,584	+19.19
Total	14,901	12,286	14,570	2,284	+18.59

TABLE A4 – FOOD WASTE FORECAST

Table A4: Food waste	2020/21 Actual Tonnes	2021/22 Budget Tonnes	2021/22 Q4 Forecast Tonnes	Change Tonnes to Original Budget	Change Q4 vs Budget %
Barnet	11	1	0	-1	N/A
Camden	2,651	2,640	3,023	+383	+14.51
Enfield	0	0	0	+0	N/A
Hackney	4,375	6,448	5,872	-576	-8.93
Haringey	3,033	4,488	3,531	-957	-21.32
Islington	0	0	0	+0	N/A
Waltham Forest	516	0	481	+481	N/A
Total	10,586	13,577	12,907	670	-4.93

TABLE A5 – GREEN WASTE FORECAST

Table A5: Green Waste	2020/21 Actual Tonnes	2021/22 Budget Tonnes	2021/22 Q4 Forecast Tonnes	Change Tonnes to Original	Change Q4 vs Budget %
Barnet	10,275	10,944	11,950	+1,006	+9.19
Camden	1,754	1,793	1,798	+5	+0.28
Enfield	50	0	200	+200	N/A
Hackney	2,647	2,699	2,808	+109	+4.04
Haringey	1,543	2,233	2,064	-169	-7.57
Islington	422	676	368	-308	-45.56
Waltham Forest	282	156	279	+123	+78.85
Total	16,973	18,501	19,467	966	+5.22

TABLE A6 – DRY MIXED RECYCLING WASTE FORECAST

Table A6: Dry Mixed Recycling	2020/21 Actual Tonnes	2021/22 Budget ^ Tonnes	2021/22 Q4 Forecast Tonnes	Change Tonnes to Original Budget	Change Q4 vs Budget %
Barnet	29,736	29,375	28,396	-979	-3.33
Camden	15,248	16,452	16,177	-275	-1.67
Enfield	0	0	0	+0	N/A
Hackney	19,608	20,739	19,422	-1,317	-6.35
Haringey	19,553	17,651	18,366	+715	+4.05
Islington	15,904	16,147	16,076	-71	-0.44
Waltham Forest	17,679	15,363	17,351	+1,988	+12.94
Total	117,728	115,727	115,788	61	+0.05

^ 2021/22 Budget tonnage do not include 3,197 rejected tonnages. Total MDR tonnage 118,924 (as reported in Authority Meeting 11/02/21 Table B6)

Table A7 - Re-use and Recycling Centre (RRCs) Balances at 31 March 2022

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 2021/22, the Authority estimated that it would have balances owed to it of £0.627m to amend the cost of RRCs in 2021/22. The 2020/21 outturn contained additional balances of £0.171m.

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

	Change in RRC Balances at 1 April 2021 (As reported in June)	Total Operating Costs – 2021/22 Original Budget	Total Operating Costs - 2021/22 Current Forecast	Change in 2021/22 Total Operating Costs	Estimated RRC Balances at 31 March 2022 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(56)	958	823	(135)	(191)
Camden	(16)	506	522	16	0
Enfield*	(2)	211	252	41	39
Hackney	(1)	219	211	(8)	(9)
Haringey	(46)	622	571	(51)	(97)
Islington	(12)	665	617	(48)	(60)
Waltham Forest	(38)	1,032	1,080	48	10
Total	(171)	4,213	4,076	(137)	(308)

* 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.

The RRC balances of (£0.308m) are taken into account in calculating the RRC element of the 2022/23 levy, as discussed in the paper elsewhere on this agenda.

Table A8 - Base Levy Balances at 31 March 2022

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 2021/22 base levy included estimated balances of £3.530m, which enabled the Authority to

set a base levy of £53.585m. Since the levy is fixed for the year, the additional balances arising from the 2020/21 outturn feed into the estimated balance at 31 March 2022 and can be taken into account together with any in-year savings when the Authority determines its 2022/23 levy, as discussed in paper elsewhere on this agenda

	Additional balance at 1 April 2021 (reported in June)	2021/22 Budget Levy Costs	2021/22 Levy Costs - Current Forecast	Forecast Change in 2021/22 Levy Costs	Estimated Balance at 31 March 2022 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(753)	12,404	10,633	(1,771)	(2,524)
Camden	(417)	4,619	3,957	(662)	(1,079)
Enfield	(617)	6,923	6,753	(170)	(787)
Hackney	(495)	7,367	6,554	(813)	(1,308)
Haringey	(559)	8,377	7,303	(1,074)	(1,633)
Islington	(481)	5,361	5,027	(334)	(815)
Waltham Forest	(393)	8,534	8,117	(417)	(810)
Total	(3,715)	53,585	48,344	(5,241)	(8,956)

Table A9 - Charges to Boroughs for Non-Household Waste

	2021/22 Budget Estimate	2021/22 Current Forecast	Estimated Variance
	£'000	£'000	£'000
Barnet	1,116	924	(192)
Camden*	2,393	1,815	(578)
Enfield	701	807	106
Hackney*	1,738	1,508	(230)
Haringey *	198	198	0
Islington *	2,247	1,755	(492)
Waltham Forest	117	127	10
Total	8,510	7,134	(1,376)

* Including income from non-household recyclable wastes.

Table A10 - Charges to Boroughs for Chargeable Household Waste

	2021/22 Budget Estimate £'000	2021/22 Current Forecast £'000	Estimated Variance £'000
Barnet	182	185	3
Camden*	333	257	(76)
Enfield	192	124	(68)
Hackney*	547	510	(37)
Haringey *	245	218	(27)
Islington *	273	265	(8)
Waltham Forest	0	0	0
Total	1,772	1,559	(213)

* Including income from non-household recyclable wastes.