

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: 2022/23 FINANCE UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 31 OCTOBER 2022

SUMMARY OF REPORT:

This report provides an update on the Authority's financial position for 2022/23 and an initial budget and levy forecast for 2023/24.

LondonEnergy Ltd is owned by the Authority and is an electricity producer. Due to price rises in global energy supply markets, the company is generating additional income from electricity sales. As a sole shareholder of LondonEnergy Ltd and its public owned nature, the Authority is able to benefit from the profit made. In addition, the Authority is forecasting less overall waste tonnage disposed meaning spend is less than forecast compared with the budget agreed in February 2022. This is as a consequence of cost of living impacts and other factors.

Members are asked to approve a £4.753m rebate on the 2022/23 levy, equivalent to a one month payment from each borough. The waiving of the November charge is designed to ensure councils benefit immediately to fund crucial services during the UK's cost-of-living crisis.

This report also seeks approval of updated Prudential Indicators, and provides an update on the ongoing audit of the 2020/21 financial statements.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Approve a rebate to the 2022/23 levy of £4.753m and authorise the Financial Adviser to write to boroughs asking them to deduct this from their November payment;
- B. Approve the Prudential Indicators as laid out in paragraph 7;
- C. Note this review of the 2022/23 revenue budget; and

D. Note that a further update of the 2022/23 budget will be reported to the Authority meeting in December together with an updated assessment of the budget and resource requirements for 2023/24.

SIGNED: Jon Rowney, the Financial Adviser

DATE: 19 October 2022

1. STRATEGIC CONTEXT FOR THE AUTHORITY'S BUDGET

- 1.1. The Authority is the 100% shareholder of LondonEnergy Ltd (LEL). Among other activities LEL operates the energy from waste plant at Edmonton. This provides the most responsible route for disposing of residual waste and generates electricity as a by-product, which is supplied to the National Grid.
- 1.2. The value of electricity sales is rising significantly, with LEL benefitting from the highly publicised increase in the market price for energy. The income that LEL expects to receive over the winter is much higher than has previously been raised and it is highly likely that the company will make a large unplanned profit. This will lead to a positive gain for the Authority as sole shareholder in the company.
- 1.3. This comes at a time when the cost-of-living crisis is putting budgets under pressure in households and councils. A significant element of this is the cost of energy. Even following recent Government decisions on an energy price cap for households and businesses, energy costs will be more than twice as high as they were at the start of 2022.
- 1.4. As noted below, the Authority is in a positive financial position this year excluding taking account of any windfall gain from LEL. This would normally feed into a positive balance in the Authority's accounts at the end of the year. However, in the firm expectation that the electricity price gain of LEL will assist the financial position in 2023/24, it is recommended that the Authority provide additional funding to boroughs in November. This allows the benefit of increased electricity income in the publicly owned LEL to flow quickly to boroughs.
- 1.5. In order to provide funding as soon as practicable, it is proposed that in November NLWA will waive for that month the monthly levy which is paid by boroughs for disposal of household waste. Each borough's levy payments reflect the different volume and composition of waste they provide. This would mean a saving for each borough as per the table below.

<i>Borough</i>	<i>Monthly levy</i>
<i>Barnet</i>	<i>£974K</i>
<i>Camden</i>	<i>£475K</i>
<i>Enfield</i>	<i>£641K</i>
<i>Hackney</i>	<i>£601K</i>
<i>Haringey</i>	<i>£655K</i>
<i>Islington</i>	<i>£566K</i>
<i>Waltham Forest</i>	<i>£841K</i>

1.6. As this is a significant new development, there will be ongoing work to monitor electricity prices, liaise between LEL and the Authority and maintain strong engagement with borough finance teams. This is expected to lead to further financial benefits to boroughs in 2023.

2. AUTHORITY IN-YEAR FINANCES

2.1. The next section of this report contains a review of the 2022/23 budget and an emerging assessment of the prospects for 2023/24 including the budget and levy forecast.

2.2. Tables detailing the forecast 2022/23 outturn and 2023/24 budget forecast are set out in Appendix A and B. The Appendix also contains other key budget information including forecast balances.

2.3. The report concludes that forecast balances arising at the end of the financial year will be £8.772m. Before these balances are taken into account, an initial estimate of resources required for 2023/24 indicates that overall levy increase would be 11.9%. This takes account of the full year effect of new assets coming into operation. However, it does not include any assumption about gains from LEL as set out in section 1 above, as further time is needed to realise and quantify these. Therefore, the position is likely to change substantially by the time the 2023/24 budget is set. Table 1 below shows the movement in the levy for each borough in 2023/24 compared to 2022/23.

	2022/23	2023/24	Increase/ Decrease
	£000s	£000s	
Barnet	14,408	15,614	8.4%
Camden	6,778	7,633	12.6%
Enfield	8,444	10,055	19.1%
Hackney	8,531	9,661	13.2%
Haringey	9,587	10,578	10.3%
Islington	7,676	8,661	12.8%
Waltham Forest	10,889	11,982	10.0%
	<u>66,313</u>	<u>74,184</u>	<u>11.9%</u>

2.4. The report details the variances that lie behind the balances that are forecast. These have been driven by reductions in waste tonnages and increased income from the onward sale of recyclates.

2.5. These generate positive balances. In view of electricity sales putting LEL in an unexpectedly positive position, Members are asked to approve a rebate on the 2022/23 levy of £4.753m. This is the equivalent of one month levy payment for

each borough. This will be applied to the base element of the levy and does not affect the RRC element.

- 2.6. As noted in paragraph 2.3 above, the 2023/24 levy is currently forecast to be £74.184m compared with £66.313m in the current year. However, this is in advance of being able to take account of the benefit of LEL's increased electricity income flowing to the Authority. Further advice will be provided at the December Authority meeting on likely consequences for 2023/24 levies.
- 2.7. This paper also provides an update on the ongoing audit of the 2020/21 financial statements and seeks approval of revised Prudential Indicators.

3. UPDATE ON THE 2020/21 AND 2021/22 AUDIT OF THE STATEMENT OF ACCOUNTS

- 3.1. 2020/21 draft accounts were submitted for audit and published on the Authority's website on 30 July 2021, and audit commenced in February 2022. Outstanding work primarily relates to the valuation of assets in the group financial statements. Officers continue to collaborate closely with the auditors and our external valuer to complete this work and report to the Audit Committee as soon as possible.
- 3.2. Due to the delay in the conclusion of the audit of the 2020/21 annual accounts, the publication of the 2021/22 financial statement has been delayed as any amendments would affect the group financial statements. Once the 2021/22 financial statements are published, the audit will be able to commence.
- 3.3. Notice of the delayed 2020/21 and 2021/22 audit of accounts has been published on the NLWA website, as per Regulation 10 para (2a) of the Accounts and Audit (Coronavirus) Regulations 2021. An update on progress will be provided to the December Authority meeting.

4. 2022/23 REVENUE BUDGET UPDATE

- 4.1. The Finance Update paper to the Authority meeting in June 2022 reported that the 2021/22 outturn had included a balance that might be available to support the 2023/24 levy of £5.810m. The June report advised that it was too early to draw any firm indications about the waste stream for the full year and has highlighted several other issues that emerged, mainly the increased sale price of recyclates.

Financial Savings and Pressures

- 4.2. The latest forecast for 2022/23 has identified that in addition to the balance from 2021/22, there is a net reduction in expected outturn for 2022/23 of £7.685m compared to the June update to the Authority. If the Authority approves the levy rebate, this figure reduces to £2.932m. The following paragraphs address the changes that have been identified in this forecast and where necessary, any mitigating actions.

Waste Disposal and Landfill tax: (-£3.426m)

- 4.3. Based on actual residual waste tonnage data to August 2022 and the borough officers' own expectations for September 2022 to March 2023, the Authority is projecting a total 569,300 tonnes of residual waste in 2022/23, a reduction of 3.81% (22,526 tonnes) compared with the June review. This reduction is made up of household waste (-17,349 tonnes), non-household (-4,374 tonnes), chargeable household waste (-464 tonnes), RRC (-339 tonnes). A breakdown of the residual waste forecast by borough can be found in Appendix A at table A2. Further explanation of the tonnage changes, and the changes in tonnages for recyclates in paragraph 4.8, can be found in the Strategy and Services report elsewhere on the agenda.
- 4.4. While tonnage is significantly below forecast for 2022/23, the costs of any tonnage disposed at third party facilities is higher than was budgeted.
- 4.5. Due to the higher wholesale prices for electricity generated at the EcoPark, the electricity claim budget has been released, resulting in a forecast saving of £1m. This is included as part of the levy rebate to boroughs.
- 4.6. Allowing for the above changes and a reduction in landfill tax cost of £0.296m, the net effect of these changes is forecast to reduce the cost to Authority of treating residual waste by £3.426m in 2022/23 compared with the June budget review.
- 4.7. Authority officers will continue to liaise with borough officers to determine whether the early year waste stream reductions are likely to continue for the remainder of 2022/23 and beyond. The outcome of this review together with an up-to-date assessment by boroughs of their recycling ambitions will help inform an assessment of the impact that this could have on the Authority's 2023/24 budget requirements. Conclusions from these discussions will be reported to the December meeting of the Authority.

Composting & Materials Recovery Facility Services: (-£1.260m)

- 4.8. Tonnage projections indicate that mixed organic waste will be 921 tonnes (6.66%) lower than budgeted, green waste delivered to the Authority will be 2,743 tonnes (13.51%) lower than budgeted, and food waste tonnage will be 1,623 tonnes (11.38%) lower than budgeted level. The gate fees (the cost charged by third party providers) for the new biodegradable, food and green waste recycling contracts have reduced overall, resulting in a saving per tonne delivered. A breakdown of the forecasts for each waste type, by borough, is provided in Appendix A at table A3, A4 and A5.
- 4.9. Tonnages of dry recyclable material processed by the Authority's Materials Recovery Facility (MRF) providers are forecast to be 9,340 tonnes (7.85%) lower

than budgeted. A breakdown of the forecast by borough is provided in Appendix A at table A6.

Transfer Station and Other Sites (including new RRF): (-£0.890m)

- 4.10. The new Resource Recovery Facility (RRF) is anticipated to commence operation in Spring of 2023. A provision had been put in the budget for 2022/23 to allow for a potential operational start date in 2022. Together with the latest forecast on the level of operating costs, a projected savings of £0.890m in in 2022/23 compared with the June budget review has been identified.

Corporate and Other Support Service Costs (+£0.179m)

- 4.11. The Corporate and Other Support Service budget update reflects net additional cost of £0.179m reflecting plans for the Joint Waste Strategy, household waste Composition Survey and the RRC Visitor Survey.

Waste Prevention, Communication Programme & Recycling Initiatives (-£0.224m)

- 4.12. The bidding round for community grants under the North London Community Fund will launch in November 2022. This funding will continue into the next financial year and the funds have been reprofiled into 2023/24.

Reuse and Recycling Centres (RRCs): (+£0.158m)

- 4.13. Although the budget included an estimate for inflation, the actual increase was higher, increasing overall costs. This has been partially offset by a small reduction in residual waste delivered to RRCs. An additional £0.121m is forecast for operating costs due to increased staffing including additional agency staff, security cost, and site repair and maintenance cost.

Income from Sale of Recyclates: (-£3.462m)

- 4.14. The forecast income from sales of recyclates has been increased to reflect the higher market prices despite the tonnage forecast being lowered as mentioned in paragraph 4.9.
- 4.15. The market price achieved for first half of the year (£78.75 per tonne in Quarter (Q)1 2022/23, and £97.05 per tonne in Q2 2022/23) were significantly higher compared to budget (£60 per tonnes in Q1 2022/23 and £40 per tonnes in Q2 2022/23). Officers have reviewed changing market prices and have increased the forecast income for the year accordingly. Latest information indicates that market prices are now falling from record high levels.

Charges to Boroughs for Non-Household Waste and Chargeable Household Waste: (-£1.240m)

- 4.16. Non-household and chargeable household waste have not yet returned to pre-pandemic levels. The current 2022/23 forecast indicates that non-household waste tonnages will be below budget by 4,332 tonnes, and chargeable household waste tonnage will be below budget by 735 tonnes.
- 4.17. Although this is shown as a cost pressure to the Authority, Table A9 and A10 in Appendix A show that all boroughs are forecast to receive a refund as they make payments on account based on the budgeted figure.

Balances as 31 March 2023

- 4.18. 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.
- 4.19. 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 2023/24 levy in February table detailing the forecast outturn and how it has changed since the June review is included in Appendix A as table A1.

Proposed Levy Rebate

- 4.20. Balances in 2022/23 are significantly higher than usual due to factors outlined above, moving in the Authority's favour. In addition, the Authority's wholly-owned subsidiary company, LondonEnergy Ltd is forecast to benefit from increased electricity generation income over future months. The Authority will seek to use this to reduce future levies so that this benefit is passed to constituent boroughs.
- 4.21. As a result, Members are asked to approve a rebate on the levy for 2022/23 of £4.753m, equal to one month levy payment from each borough. This rebate will be offset against the base levy.
- 4.22. Officers are working with Counterparts at LEL to establish the quantum of the additional income and how the Authority will receive this. It has therefore not been included in this forecast but an update will be provided to the December Authority meeting.

2022/23 Summary

- 4.23. Allowing for the factors outlined above, the total net expenditure in 2022/23 for the Authority is estimated to be £67.962m. This represents a decrease of £8.925m compared with the June update. Taking into account a decrease in non-household and household charges since June of £1.240m, and the proposed levy rebate of £4.753m, the net revenue surplus on 31 March 2023 is forecast to be £8.772m, i.e. an increase of £2.932m since the June review.

5. THE OUTLOOK FOR 2023/24

- 5.1. The following paragraphs set out the underlying assumptions and discuss significant issues and variances for the coming year. This section of the report concludes with a table setting out the forecast 2023/24 levy and charges for each borough. Further reviews will be presented to the December 2022 Authority meeting along with a draft budget for 2023/24 and medium-term forecast. At the Authority meeting in February 2023, the Authority must agree its budget and set the levy for 2023/24, in line with the Inter Authority Agreement agreed in 2016.

Opening position

- 5.2. The improvement in the revenue balance at 31 March 2022 and the variations reported in this review indicate that the Authority's reserves at the end of March 2023 are anticipated to increase by £2.932m from the first review to £8.772m. The Authority's net expenditure is forecast to be £86.029m, before considering any available reserves. This is 12.1% higher than 2022/23 budget. The following paragraphs set out the underlying assumptions and discuss significant issues and variances. The budget for 2023/24 compared with 2022/23 is laid out in table B1. This does not take into account any in-year windfall gains from LEL's electricity income, subject to Authority decision.

Inflation

- 5.3. Most of the prices in the Authority's contract with LEL are reviewed annually in line with the December Retail Price Index (RPI). For financial planning purposes the Authority has used the HM Treasury's digest of forecasts published by banks and other institutions, and has assumed an increase in December 2022 RPI at 12.4%. This is significantly higher than the assumptions of 5.4% RPI inflation included in the 2022/23 budget. Inflation assumptions will be reviewed and updated for the December and February budget and levy meeting.

Transport and Disposal

- 5.4. The 2023/24 transport and disposal budget has been based on forecast residual waste stream of 571,951 tonnes (includes RRC tonnages), i.e. a decrease of 19,875 tonnes compared with 2022/23 budget, but an increase of 2,651 tonnes compared

with the 2022/23 forecast outturn. These tonnages have been reviewed with borough officers and the impacts are therefore tailored to each borough's circumstances. A breakdown by boroughs is included in table B2 in appendix B.

Landfill Tax

- 5.5. In recent years, Government policy regarding landfill tax has been to increase the tax in line with inflation, rounded to the nearest five pence. The rate of landfill tax for 2023/24 has not been announced yet. This will be reviewed in the next budget update.

Organic Waste and MRF Services

- 5.6. The budget forecast for 2023/24 reflects that mixed organic waste, food waste and green tonnages are expected to reduce by 3.8% compared with the 2022/23 budget, which would be an increase of 7.9% compared with 2022/23 latest forecast, as laid out in the tables B3 to B5 in Appendix B.
- 5.7. Mixed dry recycling tonnage is forecast to decrease by 7.2% to 110,359 compared with 2022/23 budget, but increase by 0.7% compared with 2022/23 latest forecast as laid out in Table B6 in Appendix B. The budget also reflects an allowance of 4.5% for price inflation in April 2023.

Corporate and Other Support Service Costs

- 5.8. The budget forecast includes reversal of the additional 1.25% employer National Insurance and the full year effect of the known change in the Authority's establishment in 2022/23.

Reuse and Recycling Centres

- 5.9. The costs of running the Reuse and Recycling Centres have been updated to reflect any known costs and estimated income from recyclates.

New Resource Recovery Facility (RRF)

- 5.10. The budget includes the estimated cost of running the Resource Recovery Facility for the entire year. The cost of funding the capital programme includes an allowance for interest on loans taken to fund the development and construction of the facility as well as a charge for the associated Minimum Revenue Provision.

Carbon Capture and Storage

- 5.11. The budget and medium plan includes the approved cost of preparing the outline business case for a carbon capture and storage solution at the new energy recovery facility.

Sale of Recyclates

- 5.12. Due to volatility in market price, the price used for income from recyclates assumes that current market values are not sustained at their highest levels and there will be a return closer to historic average prices.

Non-Household Waste Charges

- 5.13. The Authority anticipates that boroughs will deliver 78,078 tonnes of residual waste and 12,860 tonnes of recyclable and organic waste to the Authority in 2023/24.

Chargeable Household Waste

- 5.14. The Authority forecasts that it expects to receive 15,785 tonnes of residual waste and 3,969 tonnes of organic waste and dry mixed recycling in 2023/24.

Contingency

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

Levy

- 5.16. Table A11 in appendix A sets out the current estimate of the potential 2023/24 levy for each borough. It reflects the forecast balances at 31 March 2023 and the Authority's expenditure and income expectations. Residual waste and recycling tonnage forecasts will be reviewed in conjunction with borough counterparts to inform the December update.

Conclusion

- 5.17. Subject to Member decisions and the variations included in this review, the Authority's reserves at the end of March 2022 are forecast to increase by £2.932m from the first review to £8.772m. This is after factoring in the proposed levy rebate. A further review of the Authority's financial performance in 2022/23 and forecast for 2023/24 will be presented to the December meeting.

6. MEDIUM TERM OUTLOOK

- 6.1. In the following three years, net expenditure is forecast to increase to £89.369m in 2024/25 (a year on year increase of 3.88%), £90.060m (0.77%) in 2025/26 and £91.785m (1.92%) in 2026/27. The coming into operation of new facilities delivered by the North London Heat and Power Project (NLHPP) mean that the Authority costs will rise in coming years. However, costs are forecast to remain moderate in comparison with other waste authorities.

6.2. The balances arising in the 2022/23 financial year will be used to reduce the levy in 2023/24.

7. PRUDENTIAL INDICATORS

7.1. 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.

7.2. The Authority usually sets its indicators only once a year, alongside the budget. This review of the Prudential Indicators has been brought forward due to changing conditions in the financial markets. The prudential indicators were last reviewed at the Authority meeting in December 2021. Since then, interest rates have risen. The Authority took early steps to borrow £280 million to support the NLHPP and protect itself from rising rates. The proposed indicators would increase the Authority's flexibility to borrow money to ensure that it can take maximum advantage of the lowest rates that are available, which in turn will ensure that the levy charged to boroughs in future is kept low.

7.3. Any borrowing undertaken will be in line with Financial Standing Orders (D9.2b), which require that any borrowing in excess of £100m will be undertaken only after consultation with the Directors of Finance of the constituent boroughs as well as the Chair and Vice Chair of the Authority.

Indicators for Affordability

7.4. The Authority's capital programme for 2021/22 to 2025/26 includes:

7.4.1. Purchase of the Western Road RRC.

7.4.2. Acquisition of lease for EcoPark land.

7.4.3. Construction of the Resource Recovery Facility, EcoPark House and the Energy Recovery Facility at the Edmonton EcoPark.

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

7.5. Based on this capital programme of £1,045m (2021/22 to 2025/26) 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					
	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
	11.82%	14.80%	22.47%	20.10%	19.59%

- 7.6. 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					
	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
£m	Nil	0	0	0	14.579

Indicators for Prudence

- 7.7. 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 2021/22 and no difficulties are envisaged in 2022/23 or subsequent years. The following Capital Financing Requirements are therefore recommended for approval:

Capital Financing Requirement					
	2021/22	2022/23	2023/24	2024/25	2025/26
	Actual	Estimate	Estimate	Estimate	Estimate
£m	248	262	507	727	808

- 7.8. 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 London Borough of (LB) Camden and that LB Camden undertakes treasury management activities on the Authority's behalf. LB 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.

Indicators for capital expenditure, external debt and treasury management

- 7.9. In 2021/22, the Authority continued the construction of the EcoPark South Facilities, completed the construction of the laydown area and the sewer diversion

continued to plan for the construction of the Energy Recovery Facility. Planned capital expenditure for 2021/22 to 2025/26 is as outlined in paragraph 7.4.1.

- 7.10. Accordingly, the following estimated capital expenditure (including inflation) is recommended:

Capital Expenditure					
	2021/22	2022/23	2023/24	2024/25	2025/26
£m	Actual	Estimate	Estimate	Estimate	Estimate
	99	268	256	230	91

- 7.11. 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					
	2021/22	2022/23	2023/24	2024/25	2025/26
£m	Actual	Estimate	Estimate	Estimate	Estimate
Borrowing	819	1,310	1,310	1,400	1,400
Other long term liabilities	Nil	1	1	1	1

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

Operating Boundary for External Debt					
	2021/22	2022/23	2023/24	2024/25	2025/26
£m	Actual	Estimate	Estimate	Estimate	Estimate
Borrowing	819	1,310	1,310	1,400	1,400
Other long term liabilities	Nil	1	1	1	1

- 7.13. 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					
	2021/22	2022/23	2023/24	2024/25	2025/26
£m	Actual	Estimate	Estimate	Estimate	Estimate
	819	1,310	1,310	1,400	1,400

Net Principal re Variable Rate Borrowing					
	2021/22	2022/23	2023/24	2024/25	2025/26
£m	Actual	Estimate	Estimate	Estimate	Estimate
	0	509	509	609	609

- 7.14. 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 2022/23. Given the Authority's particular investment needs, the limits provide maximum flexibility for short-term borrowing.

Maturity Structure of fixed rate borrowing during 2022/23	Upper Limit %	Lower Limit %	Current %
Under 12 months	100	0	2
12 months and within 24 months	100	0	0
24 months and within 5 years	100	0	2
5 years and within 10 years	100	0	2
10 years and above	100	0	94

- 7.15. The indicators will be kept under review.

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 Authority's power to raise a levy is set out in The Joint Waste Disposal Authorities (Levies) England) Regulations 2006. These regulations allow for:

9.1.1. the Authority and the boroughs to agree the way in which the levy is calculated; and

9.1.2. a default basis for calculating the levy in the absence of such agreement.

- 9.2. The Authority and the boroughs entered into an Inter Authority Agreement (the "IAA") on 16 May 2016 that sets out the way in which the levy is to be calculated.

- 9.3. Under the IAA, the Authority is required to carry out a reconciliation of costs against income for each financial year. The IAA does not expressly cover a situation where the Authority is aware that it has an operating surplus during a particular financial year, however the Authority does have to work out the reconciliation 'as soon as possible after the end of each financial year'. External solicitors have advised that it would be reasonable for the Authority to interpret that paragraph as being intended to give boroughs certainty as soon as possible, and so it is open for the Authority to note any surplus before the end of the financial year in question, and waive a payment of the levy that would otherwise fall due.

- 9.4. Conversely, the Authority would not be able to increase the levy during the financial year. This is because the Authority does not have the power to raise a

substitute levy during a financial year (as opposed to deciding to waive a payment of the levy that would otherwise be payable by the boroughs).

List of documents used:

Report to the Authority 10 February 2022 – Budget and Levy 2022/23

Report to the Authority 23 June 2022 – 2021/22 Financial Outturn and 2022/23 Update

2022/23 Budgetary Control working papers

Contact officer:

Paul Gulliford – Head of Finance

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 first and the second review

Table A1	2022/23 Budget	2022/23 June Forecast	2022/23 Current Forecast	Variance
	£'000	£'000	£'000	£'000
Expenditure				
Main Waste Disposal Contract (ex RRC Waste)	42,601	42,601	39,175	(3,426)
Composting Waste Services	2,117	2,117	1,658	(459)
MRF Services	10,933	10,933	10,132	(801)
Transfer Station and Other Sites	3,426	3,601	2,711	(890)
Corporate and Other Support Service Costs	4,332	4,332	4,511	179
Waste Prevention and Communications Programme	774	774	595	(179)
Recycling Communications	300	300	300	0
Recycling Initiatives	275	275	230	(45)
North London Heat and Power Project	849	849	849	0
Revenue Funding – Capital Programme	8,586	8,586	8,586	0
	74,193	74,368	68,747	(5,621)
Reuse and Recycling Centres Expenditure				
Residual Waste Disposal	1,194	1,194	1,231	37
Operating Costs	3,721	3,721	3,842	121
	4,915	4,915	5,073	158
Income				
Rents	(128)	(128)	(128)	0
Sale of Recyclates	(4,713)	(4,713)	(8,175)	(3,462)
Interest on Balances	(40)	(40)	(40)	0
	(4,881)	(4,881)	(8,343)	(3,462)
Net Expenditure	74,227	74,402	65,477	(8,925)
Contingency	2,485	2,485	2,485	0
Total Net Expenditure	76,712	76,887	67,962	(8,925)
Financed By				
Use of Balances	(9,266)	(15,251)	(15,251)	0
Charges to Boroughs (Non-household waste)	(8,590)	(8,615)	(7,574)	1,041
Charges to Boroughs (Chargeable Household Waste)	(1,809)	(1,814)	(1,615)	199
2022/23 Levy - Base Element	(52,440)	(52,440)	(47,687)	4,753
- HWRC Element	(4,607)	(4,607)	(4,607)	0
Total Levy	(57,047)	(57,047)	(52,294)	4,753
Total Resources Available	(76,712)	(82,727)	(76,734)	5,993
Estimated Additional Revenue Balances at 31 March	0	(5,840)	(8,772)	(2,932)

Tonnage Forecasts

The Tonnages in tables A2-A6 have been reviewed based on actual tonnage delivered in April to August 2022, and borough officers' own expectations for September 2022 to March 2023. Where officers are aware of planned service changes, these have been included in the forecast.

Table A2 - 2022/23 Residual Waste Forecast

	2021/22 Actual Tonnes	2022/23 Budget Tonnes	2022/23 Q2 Forecast Tonnes	Change Tonnes	Change %
Barnet	110,118	117,793	111,724	-6,069	-5.15
Camden	68,252	71,588	69,268	-2,320	-3.24
Enfield	89,997	91,568	89,491	-2,077	-2.27
Hackney	84,791	85,283	85,265	-18	-0.02
Haringey	73,049	75,796	71,092	-4,704	-6.21
Islington	74,146	75,017	71,747	-3,270	-4.36
Waltham Forest	73,006	74,781	70,713	-4,068	-5.44
Total	573,359	591,826	569,300	-22,526	-3.81

Table A3 - Mixed Organic Waste (food and green) tonnage forecast

	2021/22 Actual Tonnes	2022/23 Budget Tonnes	2022/23 Q2 Forecast Tonnes	Change Tonnes	Change %
Barnet	0	0	0	+0	N/A
Camden	0	0	0	+0	N/A
Enfield	0	0	0	+0	N/A
Hackney	0	0	0	+0	N/A
Haringey	818	192	394	+202	+105.21
Islington	4,106	3,793	3,782	-11	-0.29
Waltham Forest	9,588	9,841	8,729	-1,112	-11.30
Total	14,512	13,826	12,905	-921	-6.66

Table A4 - Food Waste tonnage forecast

	2021/22	2022/23	2022/23 Q2	Change	Change
	Actual	Budget	Forecast	Tonnes	%
	Tonnes	Tonnes	Tonnes		
Barnet	0	0	0	0	N/A
Camden	3,072	3,200	2,979	221	-6.91
Enfield	0	0	0	0	N/A
Hackney	5,879	6,431	5,745	686	-10.67
Haringey	3,514	4,145	3,449	696	-16.79
Islington	0	0	0	0	N/A
Waltham Forest	466	492	472	20	-4.07
Total	12,931	14,268	12,645	-1,623	-11.38

Table A5 - Green Waste tonnage forecast

	2021/22	2022/23	2022/23 Q2	Change	Change
	Actual	Budget	Forecast	Tonnes	%
	Tonnes	Tonnes	Tonnes		
Barnet	12,118	11,949	10,738	-1,211	-10.13
Camden	1,848	1,793	1,692	-101	-5.63
Enfield	444	200	247	+47	N/A
Hackney	2,744	2,699	2,420	-279	-10.34
Haringey	2,264	3,057	1,895	-1,162	-38.01
Islington	461	418	398	-20	-4.78
Waltham Forest	351	193	176	-17	-8.81
Total	20,230	20,309	17,566	-2,743	-13.51

Table A6 – Dry Mixed Recycling tonnage forecast

	2021/22 Actual Tonnes	2022/23 Budget Tonnes	2022/23 Q2 Forecast Tonnes	Change Tonnes	Change %
Barnet	27,464	29,163	26,062	-3,101	-10.63
Camden	16,331	16,452	15,451	-1,001	-6.08
Enfield	0	0	0	+0	+0.00
Hackney	19,221	20,169	18,465	-1,704	-8.45
Haringey	18,314	18,506	17,622	-884	-4.78
Islington	15,245	16,952	14,045	-2,907	-17.15
Waltham Forest	17,110	17,668	17,925	+257	+1.45
Total	113,685	118,910	109,570	-9,340	-7.85

Table A7 - Re-use and Recycling Centre (RRCs) Balances at 31 March 2023

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 2022/23, the Authority estimated that it would have balances owed to it of £0.308m to amend the cost of RRCs in 2022/23. The 2021/22 outturn contained additional balances of £0.049m.

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

	Change in RRC Balances at 1 April 2022 (As reported in June)	Total Operating Costs – 2022/23 Original Budget	Total Operating Costs - 2022/23 Current Forecast	Change in 2022/22 Total Operating Costs	Estimated RRC Balances at 31 March 2023 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(36)	806	847	41	5
Camden	18	580	621	41	59
Enfield*	(11)	300	307	7	(4)
Hackney	(9)	241	242	1	(8)
Haringey	(21)	599	603	4	(17)
Islington	(9)	717	717	0	(9)
Waltham Forest	19	1,364	1,428	64	83
Total	(49)	4,607	4,765	158	109

* 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 (£0.109m) will be taken into account in calculating the RRC element of the 2023/24 levy.

Table A8 - Base Levy Balances at 31 March 2023

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 2022/23 base levy included estimated balances of £8.956m, which enabled the Authority to set a base levy of £52.440m. Since the levy is fixed for the year, the additional balances arising from the 2021/22 outturn feed into the estimated balance at 31 March 2023 and can be taken into account together with any in-year savings when the Authority determines its 2023/24 levy.

	Additional balance at 1 April 2022 (reported in June)	2022/23 Budget Levy Costs	2022/23 Levy Costs Current Forecast	Forecast - Change in 2022/23 Levy Costs	Estimated Balance at 31 March 2023 (Column 1 plus 4)
	1	2	3	4	5
	£'000	£'000	£'000	£'000	£'000
Barnet	(1,310)	10,886	8,977	(935)	(2,245)
Camden	(364)	5,118	4,292	(351)	(715)
Enfield	(888)	7,395	6,973	219	(669)
Hackney	(919)	6,972	6,082	(289)	(1,208)
Haringey	(864)	7,257	5,798	(804)	(1,668)
Islington	(585)	6,084	5,209	(308)	(893)
Waltham Forest	(1,007)	8,728	7,408	(479)	(1,486)
Total	(5,937)	52,440	44,739	(2,947)	(8,884)

Table A9 - 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 2022/23 compared with the original budget assumptions are shown in the table below:

	2022/23 Budget Estimate £'000	2022/23 Current Forecast £'000	Estimated Variance £'000
Barnet	1,129	975	(154)
Camden*	2,256	1,985	(271)
Enfield	897	871	(26)
Hackney*	1,802	1,608	(194)
Haringey *	237	233	(4)
Islington *	2,124	1,767	(357)
Waltham Forest	145	136	(9)
Total	8,590	7,575	(1,015)

* Including income from non-household recyclable wastes.

Table A10 - Charges to Boroughs for Chargeable Household Waste:

Forecast charges to Boroughs for the disposal of Chargeable household waste in 2022/23 compared with the original budget assumptions are shown in the table below:

	2022/23 Budget Estimate £'000	2022/23 Current Forecast £'000	Estimated Variance £'000
Barnet	215	198	(17)
Camden*	294	254	(40)
Enfield	138	134	(4)
Hackney*	599	519	(80)
Haringey *	257	230	(27)
Islington *	306	280	(26)
Waltham Forest	0	0	0
Total	1,809	1,615	(194)

* Including income from non-household recyclable wastes.

Table A11 - 2023/24 Levy Projection

After taking the balance into account, the increase compared to the approved 2022/23 levy has increased 14.7%. The table below shows how this increase is broken down by borough.

	2022/23 Actual Levy	2023/24 Current Forecast Levy Costs*	Forecast Levy Increase	2021/22 Additional Year End Balances	2022/23 Balances Currently Forecast	Additional Balance to reduce the 2023/24 Levy	2023/24 Revised Forecast Levy	Revised Forecast Levy Increase
	£'000	£'000 a	%	£'000 b	£'000 c	£'000 d (b+c)	£'000 (a+d)	%
Barnet	11,692	15,614	33.5%	(1,346)	(894)	(2,240)	13,373	14.4%
Camden	5,698	7,633	34.0%	(346)	(310)	(655)	6,978	22.5%
Enfield	7,695	10,055	30.7%	(899)	226	(673)	9,383	21.9%
Hackney	7,213	9,661	33.9%	(928)	(288)	(1,215)	8,446	17.1%
Haringey	7,856	10,578	34.6%	(884)	(800)	(1,684)	8,893	13.2%
Islington	6,801	8,661	27.3%	(594)	(308)	(902)	7,759	14.1%
Waltham Forest	10,092	11,982	18.7%	(988)	(415)	(1,403)	10,580	4.8%
Total	57,047	74,184	30.0%	(5,985)	(2,789)	(8,772)	65,412	14.7%

* Before balances are taken into account

APPENDIX B FINANCIAL TABLES TO SUPPORT THE REPORT BUDGET 2023/24

Table B1 -2023/24 Budget Forecast

Table B1 shows the variance between the 2022/23 budget and the budget forecast for 2023/24

Table B1

	2022/23 Budget	2023/24 Current Forecast	Variance
	£'000	£'000	£'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	42,601	43,747	1,146
Composting Waste Services	2,117	1,953	(164)
MRF Services	10,933	10,617	(316)
Transfer Station and Other Sites	3,426	4,668	1,242
Corporate and Other Support Service Costs	4,332	5,333	1,001
Waste Prevention and Communications Programme	774	703	(71)
Recycling Communications	300	0	(300)
Recycling Initiatives	275	237	(38)
North London Heat and Power Project	849	400	(449)
Carbon Capture & Storage	0	1,054	1,054
Revenue Funding – Capital Programme	8,586	14,846	6,260
	<u>74,193</u>	<u>83,558</u>	<u>9,365</u>
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,194	1,384	190
Operating Costs	3,721	4,070	349
	<u>4,915</u>	<u>5,454</u>	<u>539</u>
Income			
Rents	(128)	(136)	(8)
Sale of Recyclates	(4,713)	(5,474)	(761)
Interest on Balances	(40)	(40)	0
	<u>(4,881)</u>	<u>(5,650)</u>	<u>(769)</u>
Net Expenditure	74,227	83,362	9,135
Contingency	2,485	2,667	182
Total Net Expenditure	<u>76,712</u>	<u>86,029</u>	<u>9,317</u>
Financed By			
Use of Balances	(9,266)	(8,772)	494
Charges to Boroughs (Non-household waste)	(8,590)	(9,779)	(1,189)
Charges to Boroughs (Chargeable Household Waste)	(1,809)	(2,066)	(257)
2023/24 Levy - Base Element	(52,440)	(59,849)	(7,409)
- HWRC Element	(4,607)	(5,563)	(956)
Total Levy	<u>(57,047)</u>	<u>(65,412)</u>	<u>(8,365)</u>
Total Resources Available	<u>(76,712)</u>	<u>(86,029)</u>	<u>(9,317)</u>

TONNAGE FORECASTS

The tonnage forecasts in tables B2-B6 have been based on individual discussions with the boroughs to forecast the anticipated tonnages into 2023/24

TABLE B2 – RESIDUAL WASTE FORECAST

	2021/22	2022/23	2023/24		
	Actual	Forecast	Budget	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	110,118	111,724	110,175	-1,549	-1.39
Camden	68,252	69,268	69,856	+588	+0.85
Enfield	89,997	89,491	90,536	+1,045	+1.17
Hackney	84,791	85,265	84,799	-466	-0.55
Haringey	73,049	71,092	73,005	+1,913	+2.69
Islington	74,146	71,747	72,573	+826	+1.15
Waltham Forest	73,006	70,713	71,007	+294	+0.42
Total	573,359	569,300	571,951	2,651	+0.47

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

	2021/22	2022/23	2023/24		
	Actual	Forecast	Budget	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	0	0	0	+0	N/A
Camden	0	0	0	+0	N/A
Enfield	0	0	0	+0	N/A
Hackney	0	0	0	+0	N/A
Haringey	818	394	192	-202	-51.27
Islington	4,106	3,782	3,840	+58	+1.53
Waltham Forest	9,588	8,729	8,941	+212	+2.43
Total	14,512	12,905	12,973	+68	+0.53

TABLE B4 – FOOD WASTE TONNAGE FORECAST

	2021/22	2022/23	2023/24		
	Actual	Forecast	Budget	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	0	0	0	+0	N/A
Camden	3,072	2,979	3,200	+221	+7.42
Enfield	0	0	0	+0	N/A
Hackney	5,879	5,745	6,081	+336	+5.85
Haringey	3,514	3,449	3,846	+397	+11.51
Islington	0	0	0	+0	N/A
Waltham Forest	466	472	492	+20	+4.24
Total	12,931	12,645	13,619	+974	+7.70

TABLE B5 – GARDEN WASTE TONNAGE FORECAST

	2021/22	2022/23	2023/24		
	Actual	Forecast	Budget	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	12,118	10,738	12,349	+1,611	+15.00
Camden	1,848	1,692	1,793	+101	+5.97
Enfield	444	247	200	-47	N/A
Hackney	2,744	2,420	2,418	-2	-0.08
Haringey	2,264	1,895	2,579	+684	+36.09
Islington	461	398	418	+20	+5.03
Waltham Forest	351	176	193	+17	+9.66
Total	20,230	17,566	19,950	+2,384	+13.57

TABLE B6 – MDR TONNAGE FORECAST

	2021/22	2022/23	2023/24		
	Actual	Forecast	Budget	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	27,464	26,062	25,962	-100	-0.38
Camden	16,331	15,451	15,800	+349	+2.26
Enfield	0	0	0	+0	+0.00
Hackney	19,221	18,465	18,728	+263	+1.42
Haringey	18,314	17,622	17,952	+330	+1.87
Islington	15,245	14,045	14,425	+380	+2.71
Waltham Forest	17,110	17,925	17,492	-433	-2.42
Total	113,685	109,570	110,359	+789	+0.72

TABLE B7 – REUSE AND RECYCLING CENTRE LEVY

The amounts charged to the relevant boroughs through the 2023/24 levy allow for the additional balances that arose from the closure of the 2021/22 accounts and forecast additional balances from 2022/23.

	Forecast	2023/24	20223/24
	RRC	Estimated	Estimated
	Balances at	costs	Levy
	1 April 2023		
	£'000	£'000	£'000
Barnet	5	1,118	1,123
Camden	59	668	727
Enfield*	(4)	299	295
Hackney	(8)	269	261
Haringey	(17)	752	735
Islington	(9)	829	820
Waltham Forest	83	1,519	1,602
Total	109	5,454	5,563

TABLE B8 – BASE LEVY

The amounts charged to the relevant boroughs through the 2023/24 base levy allow for the additional balances that arose from the closure of the 2021/22 accounts and forecast additional balances from 2022/23.

	Forecast Balances at 1 April 2023	2023/24 Estimated Levy Requirement	2023/24 Estimated Levy
	£'000	£'000	£'000
Barnet	(2,245)	14,495	12,250
Camden	(715)	6,966	6,251
Enfield	(669)	9,757	9,088
Hackney	(1,208)	9,393	8,185
Haringey	(1,668)	9,826	8,158
Islington	(893)	7,832	6,939
Waltham Forest	(1,486)	10,464	8,978
Total	(8,884)	68,733	59,849

TABLE B9 – NON-HOUSEHOLD WASTE CHARGES

The cost to boroughs in 2023/24 is estimated to be:

	2023/24 Estimated Tonnes	2023/24 Estimated Cost £'000
Barnet*	11,702	1,342
Camden*	24,351	2,568
Enfield	9,177	1,073
Hackney*	20,316	2,078
Haringey *	3,089	316
Islington *	20,754	2,232
Waltham Forest*	1,549	170
Total	90,938	9,779

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

The final charges will be calculated as part of the 2022/23 final accounts process and reported to the Authority in June 2023. Any under or over payment by boroughs will be collected from or repaid to boroughs at the conclusion of the final accounts process.

TABLE B10 – CHARGEABLE HOUSEHOLD WASTE

The cost to boroughs in 2023/24 is estimated to be:

	2023/24 Estimated Tonnes	2023/24 Estimated Cost £'000
Barnet	2,198	257
Camden	3,254	331
Enfield	1,415	165
Hackney	6,574	671
Haringey	2,852	296
Islington	3,461	346
Waltham Forest *	0	0
Total	19,754	2,066

* 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.

TABLE B11 – MEDIUM TERM FORECAST

	2024/25 Budget Forecast £'000	2025/26 Budget Forecast £'000	2026/27 Budget Forecast £'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	46,805	47,916	49,079
Composting Waste Services	2,002	2,052	2,103
MRF Services	10,961	11,235	11,516
Transfer Station and Other Sites	4,863	4,979	5,098
Corporate and Other Support Service Costs	5,281	5,530	5,584
Waste Prevention and Communications Programme	718	733	748
Recycling Initiatives	244	250	257
North London Heat and Power Project	100	100	100
Carbon Capture & Storage	1,057	0	0
Revenue Funding – Capital Programme	14,663	14,578	14,578
	86,694	87,373	89,063
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,465	1,502	1,540
Operating Costs	4,310	4,417	4,528
	5,775	5,919	6,068
Income			
Rents	(139)	(143)	(146)
Sale of Recyclates	(5,654)	(5,795)	(5,940)
Interest on Balances	(40)	(40)	(40)
	(5,833)	(5,978)	(6,126)
Net Expenditure	86,636	87,314	89,005
Contingency	2,733	2,746	2,780
Total Net Expenditure	89,369	90,060	91,785
Financed By			
Use of Balances	0	0	0
Charges to Boroughs (Non-household waste)	(10,193)	(10,224)	(10,422)
Charges to Boroughs (Chargeable Household Waste)	(2,151)	(2,159)	(2,201)
2023/24 Levy - Base Element	(71,250)	(71,757)	(73,094)
- HWRC Element	(5,775)	(5,920)	(6,068)
Total Levy	(77,025)	(77,677)	(79,162)
Total Resources Available	(89,369)	(90,060)	(91,785)
	0	0	0

REPORT ENDS