

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: 2022/23 FINANCE UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 9 FEBRUARY 2023

SUMMARY OF REPORT:

This report provides an update on the Authority's finances and forecast outturn at the end of March 2023.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Note the update on the audit of 2020/21 and 2021/22 accounts; and
- B. Note this review of the 2022/23 revenue budget.

SIGNED: Jon Rowney, Financial Adviser

DATE: 30 January 2023

1. INTRODUCTION

- 1.1. This report contains a review of the 2022/23 budget, along with tables detailing other key budget information including forecast balances in Appendix A.
- 1.2. Compared to the budget of £76.712m, the forecast outturn is £65.353m. Compared to the outturn for 2021/22, this is a 0.2% decrease in net expenditure. This reflects falling tonnages being received due to cost of living where less is being wasted.
- 1.3. The report concludes that the Authority is currently forecast to have a revenue surplus of £10.438m at 31 March 2023.
- 1.4. There is relatively little change since the last report on the current year. As this paper also summarises the overall 2022/23 position in advance of agreeing the 2023/24 budget, the key strategic factors which have shaped the financial position across the year would be summarised as follows:
 - 1.4.1. All waste tonnages have been lower than were budgeted this time last year. While the effects of the COVID-19 pandemic have made trends hard to identify over the past two years, tonnages have fallen by more than would be expected and it is believed cost of living pressures on residents and business lie substantially behind this. Residual waste compared with 2021/22 has reduced by 12,600 tonnes or 2.2%. Compared with the budget for 2022/23, the forecast tonnage is lower by 5% - approximately 31,000 tonnes.
 - 1.4.2. The cost of running the transfer station at Hornsey Street is shared with London Borough of Islington and the forecast has been reduced based on actual costs received for the first six months of the year.
 - 1.4.3. Income from recyclates has been at extremely high levels, where the Authority's contract with Biffa has provided surplus income of over £3m against forecast.

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

- 2.1. The main item remaining to be concluded on the audit of the 2020/21 accounts, the valuation of Property Plant and Equipment at the EcoPark, has now been resolved. The auditors are completing final reviews and officers are responding to final outstanding questions to conclude the audit. Members of the Audit Committee will be consulted about dates for a meeting. The plan is to have an in-depth discussion in March 2023 with Member Finance Working Group followed by a formal approval of the audit in April 2023.

- 2.2. Valuations required for the group accounts concerning 2021/22 will commence and it is intended that this work will be completed by February 2023. The draft financial statements for 2021/22 are intended to be published by March 2023, when the audit of these statements will begin.

3. NLHPP BORROWING UPDATE

- 3.1. The Authority continues to work toward minimising the cost of the North London Heat and Power Project by taking advantage of the most cost efficient forms of financing available to it. Following a period of consultation with Borough Directors of Finance, the Authority Chair and Vice-Chairs before Christmas, a further £200m has been borrowed from the Public Works Loan Board (PWLb). This takes the total borrowing for the project to £970m (there is also £30m of historic borrowing relating to the purchase of shares in LondonEnergy Ltd (LEL)). This means that there is sufficient capital funding for NLHPP up until early 2024/25, and officers are continuing to explore options for future financing. The current long-term borrowing interest rate is circa 4.5% (from the PWLB). NLWA is in a favourable position compared with this as the average interest rate on the Authority's existing borrowing is 2.41%.

4. 2021/22 REVENUE BUDGET UPDATE

- 4.1. At the Authority meeting in June, Members were advised that the 2021/22 outturn had included a revenue surplus of £5.840m at 31 March 2022. In updates to subsequent Authority meetings, further savings of £4.676m have been identified, bringing the total balances arising at end of the financial year to be £10.439m. Subject to further changes, this balance would be available to support the 2023/24 budget and levy.
- 4.2. In addition, with the approval of Members – as a result of increases in income generated by the energy from waste facility at a time of high electricity prices - £4.753m was returned to constituent boroughs by them not paying the levy in November 2022.

Financial Savings and Pressures

- 4.3. The latest forecast for 2022/23 has identified a slight increase in net expenditure of £0.094m 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: (+£0.042m)

- 4.4. Based on actual residual waste tonnage and the borough officers' own expectations for the remainder of the year, the Authority is projecting a total of 560,758 tonnes of residual waste in 2022/23 (including reuse and recycling centres, asbestos and

rejected dry mixed recycling tonnages), an increase of 353 tonnes of residual waste compared to the December review. The 2021/22 forecast residual tonnage compared with budget for each borough is detailed in the Table A2 in Appendix A .

- 4.5. 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 12.9% at the relevant review date (1st January for most LEL prices) for these contracts. The December RPI increase is 13.0%, and budget forecast has been updated to reflect the additional 0.1% inflationary increase.
- 4.6. The net effect of these changes above is forecast to increase the cost to the Authority by £0.042m in 2021/22 compared with the December budget review.

Materials Recovery Facility Services: (+£0.130m)

- 4.7. Tonnages of dry recyclable material processed by the Authority's Materials Recovery Facility (MRF) provider is forecast to increase by 389 tonnes compared to the December review. Although this increase is small, a greater proportion of the tonnage is being delivered to a transfer station than forecast and therefore a bulking charge is also incurred. A breakdown of the forecast by borough is provided in Table A6 in Appendix A.

Transfer Station and Other Sites: (-£0.51m)

- 4.8. The forecast for running costs at the Hornsey Street have been reduced following receipt of the charges for the first 6 months of the year.

Corporate and Other Support Services and Strategy & Service team: (-£0.055m)

- 4.9. The Corporate Services including Strategy & Service budget update reflects net savings of £0.055m reflecting revised staffing forecasts to reflect vacancies and other external costs.

Reuse and Recycling Centres (RRCs): (- £0.069m)

- 4.10. 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.

Income from Sale of Recyclates: (+£0.090m)

- 4.11. The forecast income from sales of recyclates has been reduced to reflect some easing from extremely high market prices and lower tonnage. The actual net basket price for the 4th quarter of 2022/23 (£46 per tonne) is lower than was forecast (£50 per tonne).

Balances at 31 March 2023

- 4.12. 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.
- 4.13. 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, as discussed in the budget paper on this agenda.
- 4.14. Tables A9 and A10 in the appendix, contain the amounts owed to and owed by boroughs for non-household and chargeable household waste. These will be settled at the end of the financial year, once the audit of the statement of accounts is completed.

Conclusion

- 4.15. Allowing for the factors outlined above, the total net expenditure in 2022/23 for the Authority is estimated to be £65.353m. This represents an increase of £0.094m compared with the December update. Taking into account a net increase in non-household and household charges since December of £0.017m, the net revenue surplus at 31 March 2022 is forecast to be £10.439m, i.e. a decrease of £0.077m 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.

List of documents used:

Report to the Authority 10 February 2022 – Budget and Levy 2022/23
Report to the Authority 15 December 2022 – 2022/23 Finance Update
2022/23 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	2022/23 Budget £'000	2022/23 December Forecast £'000	2022/23 Current Forecast £'000	Variance £'000
Expenditure				
Main Waste Disposal Contract (ex RRC Waste)	42,601	38,024	38,066	42
Composting Waste Services	2,117	1,608	1,615	7
MRF Services	10,933	10,052	10,182	130
Transfer Station and Other Sites	3,426	2,711	2,660	(51)
Corporate and Other Support Service Costs	4,332	4,511	4,456	(55)
Waste Prevention and Communications Programme	774	541	541	0
Recycling Communications	300	300	300	0
Recycling Initiatives	275	217	217	0
North London Heat and Power Project	849	849	849	0
Revenue Funding – Capital Programme	8,586	7,122	7,122	0
	74,193	65,935	66,008	73
Reuse and Recycling Centres Expenditure				
Residual Waste Disposal	1,194	1,231	1,212	(19)
Operating Costs	3,721	3,865	3,815	(50)
	4,915	5,096	5,027	(69)
Income				
Rents	(128)	(128)	(128)	0
Sale of Recyclates	(4,713)	(8,089)	(7,999)	90
Interest on Balances	(40)	(40)	(40)	0
	(4,881)	(8,257)	(8,167)	90
Net Expenditure	74,227	62,774	62,868	94
Contingency	2,485	2,485	2,485	0
Total Net Expenditure	76,712	65,259	65,353	94
Financed By				
Use of Balances	(9,266)	(15,251)	(15,251)	0
Charges to Boroughs (Non-household waste)	(8,590)	(6,815)	(6,836)	(21)
Charges to Boroughs (Chargeable Household Waste)	(1,809)	(1,415)	(1,411)	4
2022/23 Levy - Base Element	(52,440)	(52,440)	(52,440)	0
- Base Element Rebate (Windfall)	0	4,753	4,753	0
- RRC Element	(4,607)	(4,607)	(4,607)	0
Total Levy	(57,047)	(52,294)	(52,294)	0
Total Resources Available	(76,712)	(75,775)	(75,792)	(17)
Estimated Additional Revenue Balances at 31 March	0	(10,516)	(10,439)	77

Tables A2-A6 contain tonnage forecasts for the financial year. The budget and subsequent forecasts have been prepared in conjunction with borough officers. Budgets were prepared when the economic outlook did not include a war in Ukraine and the current cost of living crisis. The ongoing effects have been factored into the forecast for this year and future years.

TABLE A2 – RESIDUAL WASTE FORECAST

	2021/22 Actual Tonnes	2022/23 Budget Tonnes	2022/23 Feb Forecast Tonnes	Change Tonnes	Change %
Barnet	110,118	117,793	109,306	-8,487	-7.21
Camden	68,252	71,588	70,835	-753	-1.05
Enfield	89,997	91,568	88,000	-3,568	-3.90
Hackney	84,791	85,283	85,379	+96	+0.11
Haringey	73,049	75,796	70,533	-5,263	-6.94
Islington	74,146	75,017	68,384	-6,633	-8.84
Waltham Forest	73,006	74,781	68,321	-6,460	-8.64
Total	573,359	591,826	560,758	-31,068	-5.25

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

	2021/22 Actual Tonnes	2022/23 Budget Tonnes	2022/23 Dec 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	382	+190	+98.96
Islington	4,106	3,793	3,801	+8	+0.21
Waltham Forest	9,588	9,841	7,900	-1,941	-19.72
Total	14,512	13,826	12,083	-1,743	-12.61

TABLE A4 – FOOD WASTE 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	3,072	3,200	2,767	-433	-13.53
Enfield	0	0	0	+0	N/A
Hackney	5,879	6,431	5,361	-1,070	-16.64
Haringey	3,514	4,145	3,379	-766	-18.48
Islington	0	0	0	+0	N/A
Waltham Forest	466	492	435	-57	-11.59
Total	12,931	14,268	11,942	-2,326	-16.30

TABLE A5 – GREEN WASTE FORECAST

	2021/22 Actual Tonnes	2022/23 Budget Tonnes	2022/23 Q2 Forecast Tonnes	Change Tonnes	Change %
Barnet	12,118	11,949	10,803	-1,146	-9.59
Camden	1,848	1,793	1,794	+1	+0.06
Enfield	444	200	228	+28	N/A
Hackney	2,744	2,699	2,681	-18	-0.67
Haringey	2,264	3,057	2,139	-918	-30.03
Islington	461	418	402	-16	-3.83
Waltham Forest	351	193	268	+75	+38.86
Total	20,230	20,309	18,315	-1,994	-9.82

TABLE A6 – DRY MIXED RECYCLING WASTE FORECAST

	2021/22 Actual Tonnes	2022/23 Budget Tonnes	2022/23 Q2 Forecast Tonnes	Change Tonnes	Change %
Barnet	27,464	29,163	26,361	-2,802	-9.61
Camden	16,331	16,452	15,282	-1,170	-7.11
Enfield	0	0	0	+0	+0.00
Hackney	19,221	20,169	18,140	-2,029	-10.06
Haringey	18,314	18,506	17,540	-966	-5.22
Islington	15,245	16,952	13,890	-3,062	-18.06
Waltham Forest	17,110	17,668	17,468	-200	-1.13
Total	113,685	118,910	108,681	-10,229	-8.60

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	623	43	61
Enfield*	(11)	300	312	12	1
Hackney	(9)	241	239	(2)	(11)
Haringey	(21)	599	590	(9)	(30)
Islington	(9)	717	713	(4)	(13)
Waltham Forest	19	1,364	1,408	44	63
Total	(49)	4,607	4,732	125	76

* The Authority does not manage Enfield's RRC; the cost of disposing of this site's residual waste is recharged to Enfield and is not allocated by using the outcome of the visitor survey.

The RRC balances of £0.076m are taken into account in calculating the RRC element of the 2023/24 levy, as discussed in the paper elsewhere on this agenda.

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, as discussed in paper elsewhere on this agenda.

	Additional balance at 1 April 2022 (reported In June)	2022/23 Budget Levy Costs	2022/23 Levy Costs - Current Forecast	2022/23 in-year Levy Rebate	Forecast Change in 2022/23 Levy Costs	Estimated Balance at 31 March 2023 (Column 1 plus 5)
	1 £'000	2 £'000	3 £'000	4 £'000	5 £'000	£'000
Barnet	(1,310)	10,886	8,496	(974)	(1,416)	(2,726)
Camden	(364)	5,118	5,097	(475)	454	90
Enfield	(888)	7,395	6,565	(641)	(189)	(1,077)
Hackney	(919)	6,972	5,733	(601)	(638)	(1,557)
Haringey	(864)	7,257	5,549	(655)	(1,053)	(1,917)
Islington	(585)	6,084	4,756	(567)	(761)	(1,346)
Waltham Forest	(1,007)	8,728	6,910	(841)	(977)	(1,984)
Total	(5,937)	52,440	43,106	(4,754)	(4,580)	(10,517)

Tables A9 and A10 contain the costs to be charges to boroughs for chargeable household and non-household waste. Boroughs declare the tonnages of these types of waste that they have collected to the Authority. As reported to the Authority in December, Camden have recategorized tonnage as being household waste, which is recharged via the levy.

Table A9 - Charges to Boroughs for Non-Household Waste

	2022/23 Budget Estimate £'000	2022/23 Current Forecast £'000	Estimated Variance £'000
Barnet	1,129	927	(202)
Camden*	2,256	1,289	(967)
Enfield	897	840	(57)
Hackney*	1,802	1,731	(71)
Haringey *	237	246	9
Islington *	2,124	1,672	(452)
Waltham Forest	145	131	(14)
Total	8,590	6,836	(1,754)

* Including income from non-household recyclable wastes.

Table A10 - Charges to Boroughs for Chargeable Household Waste

	2022/23 Budget Estimate £'000	2022/23 Current Forecast £'000	Estimated Variance £'000
Barnet	215	188	(27)
Camden*	294	98	(196)
Enfield	138	130	(8)
Hackney*	599	503	(96)
Haringey *	257	224	(33)
Islington *	306	268	(38)
Waltham Forest	0	0	0
Total	1,809	1,411	(398)

* Including income from non-household recyclable wastes.