

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: BUDGET AND LEVY 2023/24

REPORT OF: FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 9 FEBRUARY 2023

SUMMARY OF REPORT:

This report seeks approval of the budget and resource requirements for 2023/24 including the levy and charging arrangements for non-household and chargeable household waste. In addition, the report seeks approval to provide a rebate to boroughs on the levy of £10.2 million, due to increased electricity income during the financial year.

The report contains proposals for 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 2026/27.

This report has been prepared anticipating that Members will have given approval to vary the contract with Biffa so that the Authority can include recycling from the London Borough of Enfield. The paper also includes an alternative basis in case the delegation is not approved.

RECOMMENDATIONS:

As outlined in the summary, with regard to setting the 2023/24 levy, the report has been written anticipating that the Authority will approve a delegation to allow the Managing Director to vary the contract with Biffa to be able to accept recycling from the London Borough of Enfield.

Providing that the delegation is approved, 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 2023/24 budget;
- B. Agree to use revenue balance of £10.439m to support the 2023/24 budget;

NORTH LONDON WASTE AUTHORITY

- C. Agree the levy resource requirement for 2023/24 as laid out in table 1 in paragraph 1.8;
- D. Agree a rebate to the levy of £10.2 million to reflect the windfall income that will be received in-year from LondonEnergy Ltd, as laid out in paragraphs 1.10 to 1.13
- E. Authorise the Financial Adviser to make the arrangements for collection of the levy and charges for non-household and household waste;
- F. Approve the basis for calculating the Minimum Revenue Provision as laid out in section 6;
- G. Approve the per tonne charge for non-household and chargeable household residual and recyclable waste as laid out in table 4 in paragraph 2.21; and
- H. Note the medium-term budget forecasts for 2024/25, 2025/26 and 2026/27.

If the delegation relating to Enfield recyclates is not approved, the menu price levy has been calculated excluding this tonnage and is included in section 9. Recommendations C, and G will be replaced by the following recommendations:

- C. Agree the levy for 2023/24 as laid out in table 8 in paragraph 9.3
- G. Approve the per tonne charge for non-household and chargeable household residual and recyclable waste as laid out in table 9 in paragraph 9.4.

SIGNED: Jon Rowney, Financial Adviser

DATE: 30 January 2023

1. INTRODUCTION

- 1.1. At the Authority's meeting on 15 December 2022, Members were provided with a view of the financial position including an assessment of the budget and resource requirements for 2023/24 and the net budget requirement was forecast to be £82.976m.
- 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 24 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 (NLHPP).
- 1.4. Officers met with borough Directors of Finance on 18 January and Borough Directors of Environment on 27 January. Consideration was given to the Authority's budget and resource requirements for 2023/24 and the allocation of the windfall payment proposed to be offset against the levy.
- 1.5. The budget includes two significant changes, the addition of recycling from the London borough of Enfield and a windfall payment from LondonEnergy. Excluding these two items for a direct year-on-year comparison, the levy would have increased by 9.4% which is lower than the current rate of inflation.
- 1.6. In addition, the budget also proposes a one off rebate to the levy. The Authority expects to benefit from the income from electricity generated from the disposal of non-recyclable waste. This is only possible as the electricity is generated by the Authority's wholly-owned operating company, LondonEnergy.

London Borough of Enfield Recycling

- 1.7. There is a decision on this agenda to vary the contract to Biffa to be able to accept London Borough of Enfield (LBE) recycling tonnage. This budget and the medium term forecast have been prepared on two bases, dependent on whether the delegation is given. Sections 2 and 3 of this paper have been prepared on the basis that the delegation is given and LBE recycling tonnage and costs are included in the budget. If this is not the case, section 9 of the paper contains the budget if the tonnages and costs are not included.
- 1.8. The draft budget for 2023/24, including the LBE tonnage, contains a net expenditure requirement of £85.071m. This includes dealing with extra volumes of

material and represents an increase of £8.359m or 10.9% compared to the 2022/23 budget. This will be funded by balances of £10.439m, non-household waste charges of £8.949m, household waste charges of £1.815m and a levy of £63.868m (consisting of a base element of £58.336m and a Re-use and Recycling Centre (RRC) element of £5.532m). The levy for each borough is shown below in table 1.

Table 1

	Forecast Levy before balances			Balances available			Forecast Levy after balances		
			Increase/			Increase/			Increase/
	2022/23 £000s	2023/24 £000s	Decrease	2022/23 £000s	2023/24 £000s	Decrease	2022/23 £000s	2023/24 £000s	Decrease
Barnet	14,408	15,499	7.6%	(2,716)	(2,721)	0.2%	11,692	12,778	9.3%
Camden	6,778	8,466	24.9%	(1,080)	151	-114.0%	5,698	8,617	51.2%
Enfield	8,444	11,452	35.6%	(749)	(1,075)	43.5%	7,695	10,377	34.9%
Hackney	8,531	9,127	7.0%	(1,318)	(1,568)	19.0%	7,213	7,559	4.8%
Haringey	9,587	10,154	5.9%	(1,731)	(1,947)	12.5%	7,856	8,207	4.5%
Islington	7,676	8,118	5.8%	(875)	(1,359)	55.3%	6,801	6,759	-0.6%
Waltham Forest	10,889	11,490	5.5%	(797)	(1,920)	140.9%	10,092	9,570	-5.2%
	66,313	74,306	12.1%	(9,266)	(10,439)	12.7%	57,047	63,867	12.0%

- 1.9. The table above contains proportionately significant increases for Camden and Enfield – an explanation of those is given in paragraph 5.6.

Electricity Windfall Payment

- 1.10. As reported to the Authority in December, the Authority benefits from being the 100% shareholder of LondonEnergy Ltd (LEL). Among other activities, the company 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.
- 1.11. Electricity prices are anticipated to remain higher than historic prices in 2023. London Energy has benefitted from the from the increased price for electricity generation and it is anticipated that £10m will be returned by the Company to the Authority in 2023/24 and this can be returned to boroughs via a reduction in monthly levy payments by each borough. The Government has legislated the introduction of the electricity generation levy from January 2023, which will inhibit the scope for future windfalls.
- 1.12. Members are asked to approve a one-off (non-recurrent) windfall distribution of £10.2 million to boroughs as a deduction from the approved levy. This will be distributed based on the total residual waste that is delivered to the Authority in 2023/24. The inclusion of £10m of income in the budget also reduces the Authority's contingency requirement for the year by £0.2m, resulting in a £10.2 million total saving to boroughs.
- 1.13. Table 2 below, shows the apportionment to each borough. If approved, the result would be that levy costs to boroughs would in effect be 5.9% lower compared to

2022/23. This approach has been reviewed by both Directors of Finance and the Member Finance Working Group

Table 2	Proposed Levy Windfall Rebate £'000	2023/24 Levy After Windfall Rebate £'000	Levy Increase/ Decrease %
Barnet	(2,004)	10,774	-7.9%
Camden	(1,281)	7,336	28.7%
Enfield	(1,576)	8,801	14.4%
Hackney	(1,556)	6,003	-16.8%
Haringey	(1,292)	6,915	-12.0%
Islington	(1,262)	5,497	-19.2%
Waltham Forest	(1,229)	8,341	-17.4%
Total	(10,200)	53,667	-5.9%

1.14. This report contains sections as follows:

Section 2 2023/24 Draft Budget including LBE recycling.

Section 3 Apportionment of the 2023/24 levy.

Section 4 Reduction to the levy for electricity windfall payment

Section 5 Medium Term Forecast for 2024/25 to 2026/27.

Section 6 Minimum Revenue Provision

Section 7 Advice on Reserves and Balances.

Section 8 Conclusion.

Section 9 2023/24 Draft budget excluding LBE recycling

Section 10 Equalities Implications

Section 11 Comments of the Legal Adviser

Appendix A 2023/24 supporting information and tables

Appendix B Medium Term Forecast for 2024/25 to 2026/27

2. REVIEW OF THE 2023/24 DRAFT BUDGET INCLUDING LBE RECYCLING

2.1. Since the budget was set in February 2022, forecast revenue balances of £10.439m at 31 March 2023 have arisen as reported in the Finance Update paper, also on this agenda. This forecast balance can be used to reduce the levy. The projected year on year change to the levy and charges is summarised in table 3 below.

Table 3	2022/23 Budget £'000	2023/24 Budget £'000	Variance £'000	Variance %
Charges - non-household	8,590	8,949	359	4.2
Charges - household	1,809	1,815	6	0.3
Levy	57,047	63,868	6,821	12.0
Total	67,446	74,632	7,186	10.7

2.2. As per table 3 above, there is a forecast increase in the overall recharge to boroughs of 10.7%, of which the levy is a part and it increases by 12.0% before the levy rebate is applied. The higher increase in the levy reflects the addition of LBE recycling tonnages. This tonnage is all from household sources and therefore the percentage increase in charges is lower.

2.3. The Authority's draft budget is included at table A1 in Appendix A. The draft budget includes the following factors:

Inflation

2.4. The Authority's largest contracts, and therefore a significant majority of its spend, 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 2022 was 13.0%. The summary of independent forecasts published by HM Treasury in January 2022 estimates the December 2023 annual RPI increase at 5.9% and where relevant, the Consumer Price Index (CPI) at 4.5%. These have been factored into the draft budget.

Transport & Disposal and Landfill Tax

2.5. The 2023/24 transport and disposal cost has been based on forecast residual waste stream of 567,832 tonnes (includes RRC tonnages), i.e. an increase of 7,074 tonnes (1.26%) compared to the 2022/23 forecast outturn. This increase reflects detailed discussions with officers from all constituent boroughs and the impacts are therefore tailored to each borough's circumstances. A breakdown by borough is included in Table A2 in Appendix A. The tonnage increase is driven mainly by assumptions around improving or recovering tonnages of residual non-household waste (4,279 tonnes), chargeable household waste (230 tonnes), and levy residual waste (2,564 tonnes).

2.6. The electricity income claim and landfill tax claim have been verified to the LEL budget and workings, and are reflective of the throughput that can be achieved. Electricity prices are forecast to remain at a level which will mean that there is no compensation due to LEL in the year. The Government has advised that landfill tax rates will rise from £98.60 per tonne to £102.10 per tonne from April 2023.

- 2.7. The budget includes an estimate that approximately 17,000 tonnes of delivered residual waste and 1,500 tonnes of RRC Residual waste will result in landfill tonnage.

Composting Waste Services and Materials Recycling Facility (MRF) Services

- 2.8. The budget forecast reflects that mixed organic waste, food waste and green tonnages will increase by 18,611 tonnes to 60,951 tonnes in 2023/24 compared to the 2022/23 forecast. Borough breakdowns are included in tables A3 to A5 in Appendix A. Excluding the LBE tonnage, the increase is 4,129 tonnes (9.8%).
- 2.9. Dry mixed recycling tonnages are expected to increase by 19,427 tonnes compared to the 2022/23 forecast, reflecting the addition of LBE tonnage (subject to Authority approval). Excluding this, tonnage would be lower by 45 tonnes. A borough breakdown is included in Table A6 in Appendix A. The overall increase in this budget reflects an allowance for price inflation in April 2023. In addition, the budget reflects the inflation increase on the additional bulking charges for tonnages that are delivered via the transfer stations.

Corporate Support Service and Strategy & Service team

- 2.10. The budget forecast includes known increase in the Authority's staffing and resources. The establishment has been enhanced to reflect the requirement to manage the new assets that are being constructed and will be owned by the Authority. Forecasts recognise the uncertainties of recruitment and includes an estimate for vacancies during the year.

New Resource Recovery Facility

- 2.11. The new Resource Recovery Facility (RRF) is anticipated to commence operation in the spring of 2023. £2.5m has been included in 2023/24 budget to cover the running and maintenance elements of this. This is in addition to recognising interest payments from the point of opening and capital repayments on the facility which will become payable from 2024/25 and will represent a budget pressure from then on.

Waste Prevention Programme and Recycling Communications

- 2.12. The draft budget includes provision for the waste education project, behaviour change project and Repair and Upcycling project within the Waste Prevention Programme. It also includes an increased allocation of £0.250m for the community fund.

North London Heat & Power Project

- 2.13. The budget forecast includes the ongoing support costs for the NLHPP that cannot be capitalised. All costs that can be capitalised will be funded by borrowing and interest will be added to project costs during the construction period.

Revenue Funding of the Capital Programme

- 2.14. The budget forecast provides for the financing of:
- 2.14.1. The Authority's investment in LEL;
 - 2.14.2. Pinkham Way;
 - 2.14.3. Lease of laydown area, part of the EcoPark and the purchase of Deephams Farm Road to support the NLHPP;
 - 2.14.4. The RRF, after it opens in the spring of 2023;
 - 2.14.5. The possible refurbishment of RRC sites; and
 - 2.14.6. The possible investment in a waste transfer station.
- 2.15. The Authority also makes a Minimum Revenue Provision (MRP). This represents the minimum amount that must be set aside in the Authority's revenue account each year, to repay the borrowing necessary to finance the asset acquisitions listed above.
- 2.16. The costs of borrowing for the NLHPP are rolled into the capital cost until the asset comes into use. Therefore, the impact of borrowing for the EcoPark South construction contract and associated costs are budgeted from the first quarter of 2023/24 with the associated MRP for the asset being incurred from the start of the following financial year 2024/25.

Reuse & Recycling Centres

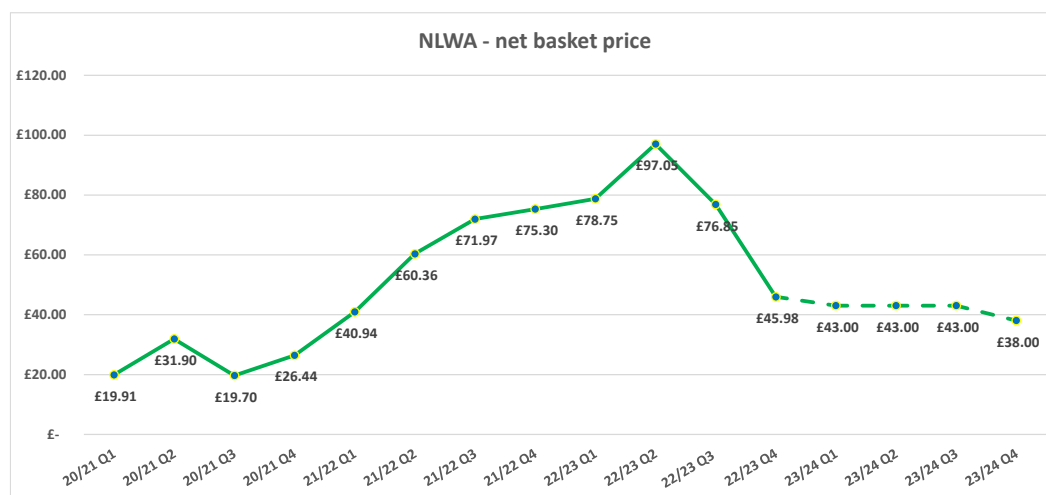
- 2.17. The budget provides for the operation of seven Reuse and Recycling Centres at a cost of £5.454m. The amount charged to the relevant boroughs through the 2023/24 levy will also allow for the change in balances that arose from the closure of the 2021/22 accounts and forecast changes in balances from 2022/23. An analysis by borough of these costs is provided in Table A7 in Appendix A.

Income from the Sale of Recyclates

- 2.18. Due to volatility in market price, the price achieved for income from recyclates has fallen as the UK economy has slowed down. Actual prices are based on a basket of commodities that the Authority collects and are available on letsrecycle.com.

Market prices can be volatile and the figures used for the budget have been produced after consulting with Biffa, the Authority's MRF contractor.

- 2.19. The budget assumes that the market values will flatten in the region of £40-45 per tonne in 2023/24. The graph below shows the assumption that over the coming quarters, the net basket price will reduce towards historic levels.



Non-Household Waste Charges

- 2.20. Following discussions with boroughs officers, the Authority is expecting to receive 87,063 tonnes of non-household waste in 2022/23, an increase of 2,837 tonnes compared to the forecast for 2022/23. The 2023/24 tonnage comprises 73,701 tonnes of residual waste, 11,219 tonnes of dry mixed recyclable waste, 1,558 tonnes of food, 513 tonnes of mixed organic waste and 72 tonnes of green waste.
- 2.21. The estimated charges per tonne of waste are included in table 3 below. The charge for dry recyclable waste is inclusive of the income the Authority receives through the income sharing arrangements with its Materials Recycling Facility (MRF) providers.

Table 4	Price Per tonne £
Residual	£110.58
Biodegradable	£87.23
Green	£61.03
Food	£3.29
Mixed Dry Recyclable	£66.39

- 2.22. Based on the advised tonnages the estimated cost to the boroughs is £8.949m. This is analysed by borough in Table A9 in Appendix A.

Chargeable Household Waste

- 2.23. The Authority expects to receive 17,996 tonnes of chargeable household waste in 2023/24, a reduction of 2,258 tonnes compared to the forecast for 2022/23. The 2023/24 tonnage comprises 14,369 tonnes of residual waste, 2,376 tonnes of dry mixed recyclable waste, 488 tonnes of food waste and 763 tonnes of mixed organic waste.
- 2.24. The estimated charges per tonne of waste are included in Table 3 above. The charge for dry recyclable waste is inclusive of the income the Authority receives through the income sharing arrangements with its MRF providers.
- 2.25. Based on the advised tonnages the estimated cost to the boroughs in 2022/23 is £1.814m. The cost is analysed by borough in Table A10 in Appendix A.

Contingency

- 2.26. 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 NLHPP.
- 2.27. 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.
- 2.28. 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 6 below). There is a degree of uncertainty about the scale of a number of budget pressures in the coming year. It is proposed to include a base contingency provision, assessed on the same basis as recent years,

namely a contingency of £1m plus 2% of operational base cost (£1.648m), totalling £2.648m. This budget cannot be used without further Authority approval.

- 2.29. It should be noted, that if the levy rebate is approved, the inclusion of the £10m of income from LEL causes the contingency to fall by £0.200m to £2.448m.

3. APPORTIONMENT OF THE 2023/24 LEVY

- 3.1. All boroughs formally agreed to adopt a menu-price based levy for 2016/17 onwards. Table 5 below, summarises the estimated levy impact for each council after any balances available have been included (further details of the calculation for 2023/24 can be found in tables A7 and A8 in Appendix A):

Table 5	2022/23 Levy			2023/24 Forecast Levy			Total estimated levy change (Column 6 minus Column 3)	
	Base	RRC	Total	Base	RRC	Total		
	(1)	(2)	(3)	(4)	(5)	(6)	£'000	%
	£'000	£'000	£'000	£'000	£'000	£'000		
Barnet	10,886	806	11,692	11,647	1,131	12,778	1,086	9.3
Camden	5,118	580	5,698	7,882	735	8,617	2,919	51.2
Enfield	7,395	300	7,695	10,069	308	10,377	2,682	34.9
Hackney	6,972	241	7,213	7,304	255	7,559	346	4.8
Haringey	7,257	599	7,856	7,494	714	8,208	352	4.5
Islington	6,084	717	6,801	5,941	819	6,760	(41)	(0.6)
Waltham Forest	8,728	1,364	10,092	7,999	1,570	9,569	(523)	(5.2)
Total	52,440	4,607	57,047	58,336	5,532	63,868	6,821	12.0

4. ELECTRICITY WINDFALL PAYMENT

- 4.1. The impact of high energy prices will continue into 2023 and the Authority will benefit from being the 100% shareholder of 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.
- 4.2. LEL is subject to the electricity generation levy which came into force on 1 January 2023. This will reduce the amount of income that would otherwise pass from LEL to the Authority, and therefore which would be available for the Authority to distribute as a windfall to boroughs.
- 4.3. However, it is anticipated that £10m of the income that is generated from electricity will pass to the Authority. It is recommended that this income be passed on to constituent boroughs through the levy, based on the total residual waste tonnage that is delivered in 2023/24. Since this tonnage is used to generate electricity, the basis of total residual waste is an equitable basis for returning this

income. This will be offset against the monthly levy payment that boroughs make and the budgeted allocation to each borough is included in table 2, in the introduction to this paper.

- 4.4. As LEL fall into the scope of the electricity generation levy, no further rebate is currently planned. Electricity prices are falling and officers will report to the Authority in future meetings, the impacts on LEL's future income forecasts.

5. MEDIUM TERM FORECAST 2024/25-2026/27

- 5.1. The medium-term forecast allows for inflation at 2.5% year on year. 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 £0.8m in a full year. Similarly, a 1% variation in tonnages could have a further impact of £0.6m per annum.
- 5.2. The outlook for the levy has been discussed with both the MFWG and Borough Directors of Finance and Environment. The medium-term forecast assumes that there will be no balances at the end of 2023/24. Appendix A contains the medium-term forecast and shows that the net expenditure requirement is forecast to increase to £94.379m (10.9%) in 2024/25, £95.119m (0.8%) in 2025/26 and £114.308m (20.2%) in 2026/27. Future costs are affected by the current high level of inflation as it provides a higher-than expected basis for changes to future charges.
- 5.3. The increases in net expenditure in 2024/25 are driven largely by the fact that there are currently no balances available and the inclusion of MRP after the RRF opens. The increase in 2026/27 reflects the anticipated opening of the Energy Recovery Facility part way through the financial year.
- 5.4. If no balances are available to support budgets for 2024/25 and beyond, net expenditure and levies are forecast as in table 6 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 2022/23 with no balances available, contained a forecast increase of 26.10% (which has now reduced to 12.0% before the proposed windfall payment). However, around the average increases there can be substantial divergence between boroughs, particularly based on any increase or reduction in balances carried forward from one year to the next.

Table 6	2023/24 Proposed Levy £'000	2024/25 Forecast Levy £'000	Variance	
			£'000	%
Barnet	12,778	17,118	4,340	34.0
Camden	8,617	9,391	774	9.0
Enfield	10,377	12,705	2,328	22.4
Hackney	7,559	10,142	2,583	34.2
Haringey	8,207	11,256	3,049	37.2
Islington	6,759	8,962	2,203	32.6
Waltham Forest	9,570	12,623	3,053	31.9
Total	63,867	82,197	18,330	28.7

Table 7	Net Expenditure £'000	Base Levy £'000	RRC Levy £'000	Total £'000	Increase %
2024/25	94,379	(76,606)	(5,591)	(82,197)	28.7%
2025/26	95,119	(77,165)	(5,730)	(82,895)	0.8%
2026/27	114,308	(93,259)	(5,874)	(99,133)	19.6%

- 5.6. The movement between years for both Camden and Enfield in table 6 reflect changes to tonnages that are reflected in the budget. As reported in December, Camden have transferred tonnage from chargeable waste types to household waste. This has resulted in low balances available to reduce the levy in 2023/24. and the respective increase to 2024/25. The cost of charges are correspondingly lower than. LBE's lower increase reflects the increase it has seen in 2023/34 due to the addition of recycling tonnage.

6. MINIMUM REVENUE PROVISION

- 6.1. The Authority is required to set aside a sum from revenue each year for the repayment of debt. This is known as the 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.
- 6.2. For 2023/24, 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.
- 6.3. For all borrowing from 2019/20 (for the NLHPP), 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.

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

- 7.1. 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:

The adequacy of the proposed reserves; and
The robustness of the budget.

- 7.2. 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.
- 7.3. 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.
- 7.4. 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.

8. CONCLUSION

- 8.1. The detailed 2023/24 draft budget is soundly based and allows for the inclusion of prudent levels of contingency. The budgets as set out in this report should be sufficiently robust to meet the Authority's expenditure requirements over this period.
- 8.2. Since the December 2022 meeting, Authority officers have reviewed underpinning assumptions and have consulted with the MFWG, borough Directors of Finance and borough Directors of Environment. All groups were content with the proposed approach and the 2023/24 proposed budget reflects this approach. Members will be advised of progress against the budget in regular budget review reports to the Authority.
- 8.3. The Authority is in a position to agree the 2023/24 levy at £63.868m (comprising a base levy element of £58.336m and an RRC element of £5.532m). In total, this

represents an increase of 12.0% increase compared with the 2022/23 levy, taking account of the additional recycling tonnage from LB Enfield.

- 8.4. In addition, Members are asked to approve a one-off rebate to the levy to reflect the additional electricity windfall that is expected to be received from LEL, as laid out in table 2 in the introduction to this report.

9. 2023/24 DRAFT BUDGET EXCLUDING LBE RECYCLING

- 9.1. If Members are unable to approve the delegation to allow the Authority to accept recycling from the LBE, the budget to be approved will be slightly different as the costs and income for recycling will not include the effects of that additional tonnage.
- 9.2. Excluding the LBE recycling tonnage, and before the levy rebate, the net expenditure requirement for 2022/23 would be £83.666m, a lower than inflation increase of 9.06% compared to 2022/23. This would be funded by balances of £10.439m, non-household waste charges of £8.997m, household waste charges of £1.825m and a levy of £62.405m (consisting of a base element of £56.873m and a RRC element of £5.532m).
- 9.3. The levy increase in the levy would be 9.39%. A full breakdown of the budget is included as table 1 in Appendix C. Table 8 below captures the levy that would be payable if the LBE tonnage is not included in the budget.

Table 8

	Forecast Levy before balances			Balances available			Forecast Levy after balances		
	2022/23 £000s	2023/24 £000s	Increase/ Decrease	2022/23 £000s	2023/24 £000s	Increase/ Decrease	2022/23 £000s	2023/24 £000s	Increase/ Decrease
Barnet	14,408	15,642	8.6%	(2,716)	(2,721)	0.2%	11,692	12,921	10.5%
Camden	6,778	8,544	26.1%	(1,080)	151	-114.0%	5,698	8,695	52.6%
Enfield	8,444	9,413	11.5%	(749)	(1,075)	43.5%	7,695	8,338	8.4%
Hackney	8,531	9,222	8.1%	(1,318)	(1,568)	19.0%	7,213	7,654	6.1%
Haringey	9,587	10,248	6.9%	(1,731)	(1,947)	12.5%	7,856	8,301	5.7%
Islington	7,676	8,192	6.7%	(875)	(1,359)	55.3%	6,801	6,833	0.5%
Waltham Forest	10,889	11,583	6.4%	(797)	(1,920)	140.9%	10,092	9,663	-4.3%
	66,313	72,844	9.8%	(9,266)	(10,439)	12.7%	57,047	62,405	9.4%

- 9.4. The charges per tonne for chargeable and non-household waste would be as follows:

Table 9	Price Per tonne £
Residual	£111.01
Biodegradable	£87.68
Green	£61.47
Food	£3.73
Mixed Dry Recyclable	£67.81

- 9.5. The inclusion of LBE recycling tonnage has a positive effect for other boroughs future levies. The Authority's overheads are recharged on a per tonne basis. Therefore the addition of additional tonnage, reduces the overhead charge per tonne allocated to waste streams. Therefore the charge to the six other boroughs reduces as follows:

Table 10	Barnet £000s	Camden £000s	Enfield £000s	Hackney £000s	Haringey £000s	Islington £000s	Waltham Forest £000s	Total £000s
Allocation of Overheads due to additional tonnage	(149)	(91)	630	(111)	(97)	(88)	(94)	-

- 9.6. The recommendations would therefore need to be revised as follows:

- C. Agree the levy for 2023/24 as laid out in table 8 in paragraph 9.3
- G. Approve the per tonne charge for non-household and chargeable household residual and recyclable waste as laid out in table 9 in paragraph 9.4

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 10 February 2022 – Revenue Budget and Levy 2022/2023
Report to the Authority 23 June 2022 – 2021/22 Financial Outturn and 2022/23 Update
Report to the Authority 15 December 2023 – 2022/23 Budget Update
2023/24 budget working papers

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APPENDIX A: 2023/24 DRAFT BUDGET

Table A1 below provides a summary of the 2023/24 draft budget including LBE recycling and the Windfall rebate:

	2022/23 Budget	2023/24 Current Forecast	Variance
	£'000	£'000	£'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	42,601	43,859	1,258
Composting Waste Services	2,117	2,314	197
MRF Services	10,933	12,633	1,700
Transfer Station and Other Sites	3,426	4,625	1,199
Corporate and Other Support Service Costs	4,332	5,372	1,040
Waste Prevention and Communications Programme	774	833	59
Recycling Communications	300	0	(300)
Recycling Initiatives	275	287	12
North London Heat and Power Project	849	600	(249)
Carbon Capture & Storage	0	1,054	1,054
Revenue Funding – Capital Programme	8,586	10,868	2,282
	74,193	82,445	8,252
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,194	1,368	174
Operating Costs	3,721	4,086	365
	4,915	5,454	539
Income			
Rents	(128)	(137)	(9)
Sale of Recyclates	(4,713)	(5,299)	(586)
Income from LEL	0	(10,000)	(10,000)
Interest on Balances	(40)	(40)	0
	(4,881)	(15,476)	(10,595)
Net Expenditure	74,227	72,423	(1,804)
Contingency	2,485	2,448	(37)
Total Net Expenditure	76,712	74,871	(1,841)
Financed By			
Use of Balances	(9,266)	(10,439)	(1,173)
Charges to Boroughs (Non-household waste)	(8,590)	(8,949)	(359)
Charges to Boroughs (Chargeable Household Waste)	(1,809)	(1,815)	(6)
2023/24 Levy - Base Element	(52,440)	(58,136)	(5,696)
- Base Element Rebate		10,000	10,000
- RRC Element	(4,607)	(5,532)	(925)
Total Levy	(57,047)	(53,668)	3,379
Total Resources Available	(76,712)	(74,871)	1,841

Tables A2-A6 include Enfield recycling. If the contract variation is not approved, the budget for Enfield would be zero for recycling tonnages with the exception of garden waste (A5) where the budget would be 200 tonnes.

Table A2 – 2023/24 residual waste tonnage forecast

	2021/22	2022/23	2023/24		
	Actual	Forecast	Budget	Change	Change
	Tonnes	Tonnes	Tonnes	Tonnes	%
Barnet	110,118	109,306	112,021	+2,715	+2.48
Camden	68,252	70,835	70,917	+82	+0.12
Enfield	89,997	88,000	89,244	+1,244	+1.41
Hackney	84,791	85,379	84,902	-477	-0.56
Haringey	73,049	70,533	71,803	+1,270	+1.80
Islington	74,146	68,384	69,496	+1,112	+1.63
Waltham Forest	73,006	68,321	69,449	+1,128	+1.65
Total	573,359	560,758	567,832	7,074	+1.26

Table A3 – 2023/24 mixed organic 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	0	0	0	+0	N/A
Enfield	0	0	0	+0	N/A
Hackney	0	0	0	+0	N/A
Haringey	818	382	192	-190	-49.74
Islington	4,106	3,801	4,170	+369	+9.71
Waltham Forest	9,588	7,900	8,941	+1,041	+13.18
Total	14,512	12,083	13,303	+1,220	+10.10

Table A4 – 2023/24 Food waste tonnage forecast

	2021/22 Actual Tonnes	2022/23 Forecast Tonnes	2023/24 Budget Tonnes	Change Tonnes	Change %
Barnet	0	0	0	+0	N/A
Camden	3,072	2,767	2,900	+133	+4.81
Enfield	0	0	7,900	+7,900	N/A
Hackney	5,879	5,361	5,597	+236	+4.40
Haringey	3,514	3,379	3,846	+467	+13.82
Islington	0	0	0	+0	N/A
Waltham Forest	466	435	492	+57	+13.10
Total	12,931	11,942	20,735	+8,793	+73.63

Table A5 – 2023/24 Garden waste tonnage forecast

	2021/22 Actual Tonnes	2022/23 Forecast Tonnes	2023/24 Budget Tonnes	Change Tonnes	Change %
Barnet	12,118	10,803	12,349	+1,546	+14.31
Camden	1,848	1,794	1,793	-1	-0.06
Enfield	444	228	6,900	+6,672	N/A
Hackney	2,744	2,681	2,681	+0	+0.00
Haringey	2,264	2,139	2,579	+440	+20.57
Islington	461	402	418	+16	+3.98
Waltham Forest	351	268	193	-75	-27.99
Total	20,230	18,315	26,913	+8,598	+46.95

Table A6 – 2023/24 MDR tonnage forecast

	2021/22 Actual Tonnes	2022/23 Forecast Tonnes	2023/24 Budget Tonnes	Change Tonnes	Change %
Barnet	27,464	26,361	26,161	-200	-0.76
Camden	16,331	15,282	15,546	+264	+1.73
Enfield	0	0	19,472	+19,472	+0.00
Hackney	19,221	18,140	18,055	-85	-0.47
Haringey	18,314	17,540	17,957	+417	+2.38
Islington	15,245	13,890	14,426	+536	+3.86
Waltham Forest	17,110	17,468	16,490	-978	-5.60
Total	113,685	108,681	128,108	+19,427	+17.88

Table A7 - RRC Levy

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

	Forecast RRC Balances at 1 April 2023 £'000	2023/24 Estimated costs £'000	20223/24 Estimated Levy £'000
Barnet	5	1,125	1,130
Camden	61	674	735
Enfield*	1	307	308
Hackney	(11)	267	256
Haringey	(30)	743	713
Islington	(13)	831	818
Waltham Forest	63	1,507	1,570
Total	76	5,454	5,530

Table A8 - 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. The table below also includes the effect of the levy rebate

	Forecast Balances at 1 April 2023 £'000	2023/24 Estimated Levy Requirement £'000	2023/24 levy Rebate £'000	2023/24 Estimated Levy £'000
Barnet	(2,726)	14,373	(2,004)	9,643
Camden	90	7,793	(1,281)	6,602
Enfield	(1,077)	11,146	(1,576)	8,493
Hackney	(1,557)	8,861	(1,556)	5,748
Haringey	(1,917)	9,411	(1,292)	6,202
Islington	(1,346)	7,287	(1,262)	4,679
Waltham Forest	(1,984)	9,984	(1,229)	6,771
Total	(10,517)	68,855	(10,200)	48,138

Table A9 - 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*	11,820	1,289
Camden*	18,112	1,773
Enfield	9,269	1,025
Hackney*	22,490	2,244
Haringey *	3,227	323
Islington *	20,581	2,130
Waltham Forest*	1,564	165
Total	87,063	8,949

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

The final charges will be calculated as part of the 2023/24 final accounts process and reported to the Authority in June 2024. Any under or over payment by boroughs will be collected from or repaid to boroughs at the conclusion of the final accounts process.

Table A10 - Chargeable Household Waste

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

	2023/24 Estimated Tonnes	2023/24 Estimated Cost £'000
Barnet	2,220	245
Camden	1,341	125
Enfield	1,429	158
Hackney	6,637	653
Haringey	2,881	291
Islington	3,488	342
Waltham Forest *	0	0
Total	17,996	1,814

*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 B: MEDIUM TERM FORECAST 2024/25-2026/27

The table below shows the budgeted forecast for the next three years

	2024/25 Budget Forecast £'000	2025/26 Budget Forecast £'000	2026/27 Budget Forecast £'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	46,452	47,573	48,721
Composting Waste Services	2,372	2,431	2,492
MRF Services	12,949	13,273	13,605
Transfer Station and Other Sites	4,803	4,918	5,035
Corporate and Other Support Service Costs	5,296	5,523	5,553
Waste Prevention and Communications Programme	718	733	748
Recycling Initiatives	296	303	311
North London Heat and Power Project	600	600	600
Carbon Capture & Storage	1,057	0	0
Revenue Funding – Capital Programme	17,026	16,941	34,041
	91,569	92,295	111,106
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,402	1,437	1,473
Operating Costs	4,188	4,293	4,400
	5,590	5,730	5,873
Income			
Rents	(140)	(144)	(147)
Sale of Recyclates	(5,431)	(5,567)	(5,706)
Interest on Balances	(40)	(40)	(40)
	(5,611)	(5,751)	(5,893)
Net Expenditure	91,548	92,274	111,086
Contingency	2,831	2,845	3,222
Total Net Expenditure	94,379	95,119	114,308
Financed By			
Use of Balances	0	0	0
Charges to Boroughs (Non-household waste)	(10,135)	(10,169)	(12,637)
Charges to Boroughs (Chargeable Household Waste)	(2,047)	(2,055)	(2,538)
2023/24 Levy - Base Element	(76,606)	(77,165)	(93,259)
- HWRC Element	(5,591)	(5,730)	(5,874)
Total Levy	(82,197)	(82,895)	(99,133)
Total Resources Available	(94,379)	(95,119)	(114,308)

Appendix C: 2023/24 BUDGET EXCLUDING LBE RECYCLING

	2022/23 Budget	2023/24 Current Forecast	Variance
	£'000	£'000	£'000
Expenditure			
Main Waste Disposal Contract (ex RRC Waste)	42,601	43,791	1,190
Composting Waste Services	2,117	2,013	(104)
MRF Services	10,933	10,819	(114)
Transfer Station and Other Sites	3,426	4,625	1,199
Corporate and Other Support Service Costs	4,332	5,372	1,040
Waste Prevention and Communications Programme	774	833	59
Recycling Communications	300	0	(300)
Recycling Initiatives	275	287	12
North London Heat and Power Project	849	600	(249)
Carbon Capture & Storage	0	1,054	1,054
Revenue Funding – Capital Programme	8,586	10,868	2,282
	74,193	80,262	6,069
Reuse and Recycling Centres Expenditure			
Residual Waste Disposal	1,194	1,368	174
Operating Costs	3,721	4,086	365
	4,915	5,454	539
Income			
Rents	(128)	(137)	(9)
Sale of Recyclates	(4,713)	(4,494)	219
Income from LEL	0	0	0
Interest on Balances	(40)	(40)	0
	(4,881)	(4,671)	210
Net Expenditure	74,227	81,045	6,818
Contingency	2,485	2,621	136
Total Net Expenditure	76,712	83,666	6,954
Financed By			
Use of Balances	(9,266)	(10,439)	(1,173)
Charges to Boroughs (Non-household waste)	(8,590)	(8,997)	(407)
Charges to Boroughs (Chargeable Household Waste)	(1,809)	(1,825)	(16)
2023/24 Levy - Base Element	(52,440)	(56,873)	(4,433)
- HWRC Element	(4,607)	(5,532)	(925)
Total Levy	(57,047)	(62,405)	(5,358)
Total Resources Available	(76,712)	(83,666)	(6,954)