

NORTH LONDON WASTE AUTHORITY

REPORT TITLE: 2023/24 FINANCE UPDATE

REPORT OF: THE FINANCIAL ADVISER

FOR SUBMISSION TO: AUTHORITY MEETING

DATE: 8 FEBRUARY 2024

SUMMARY OF REPORT:

This report provides an update on the Authority's finances and forecast outturn at the end of March 2024.

RECOMMENDATIONS:

The Authority is recommended to:

- A. Note the update on the audit of 2021/22 accounts; and
- B. Note this review of the 2023/24 revenue budget.

SIGNED: Jon Rowney, Financial Adviser

DATE: 29 January 2024

1. EXECUTIVE SUMMARY

Overview

- 1.1. This report contains a review of the 2023/24 budget, with tables detailing other key budget information including forecast balances in Appendix A.
- 1.2. The net expenditure outturn forecast for 2023/24 is £70.883m, a projected increase in net expenditure of £0.603m compared to the December forecast and £3.988m underspend compared to the budget (including the electricity windfall). The underspend has primarily arisen as a result of replanning of maintenance at a transfer station and increased income from interest on balances.
- 1.3. The report concludes that the Authority is currently forecasting to have a revenue surplus of £8.830m at 31 March 2024.
- 1.4. This paper summarises the overall 2023/24 position in advance of agreeing the 2024/25 budget, the key strategic factors which have shaped the financial position across the year would be summarised as follows:
 - 1.4.1. Assisting LondonEnergy Ltd (LEL) with cost increases driven by the age and condition of the energy from waste facility. The Authority will provide additional funding to LEL of £9.0m. This will be fully funded by releasing the budgeted contingency of £2.448m and recognising £6.574m of interest received on cash balances held by the Authority.
 - 1.4.2. The cost of insuring the new resource recovery facility at the EcoPark has been finalised and this has increased the cost of transfer stations by £0.643m.
 - 1.4.3. The recognition of borrowing costs for the new facilities has been recalculated to reflect the anticipated opening date. This has deferred £0.397m into future years.
 - 1.4.4. The forecast cost of recycling and composting has been increased by £0.285m to reflect additional food waste and dry mixed recycling tonnage and an increased costs of disposal for green waste and mixed food and green waste. This has been partially offset by additional income of £0.056m for the onward sale of the increased tonnage.

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

Work continues to resolve outstanding queries relating to the 2021/22 audit. It is anticipated that a meeting of the Audit Committee could be called in April 2024, following an in-depth discussion with Member Finance Working Group.

3. **2023/24 REVENUE BUDGET UPDATE**

- 3.1. At the Authority meeting in June, Members were advised that the 2022/23 outturn had included a revenue surplus of £5.442m at 31 March 2023. In updates to subsequent Authority meetings, further savings of £4.142m have been identified, bringing the total balances arising at end of the financial year to be £9.584m. Subject to further changes, this balance would be available to support the 2024/25 budget and levy.

Financial Savings and Pressures

- 3.2. The latest forecast for 2023/24 has identified an increase in net expenditure of £0.603m 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.

3.3. **Main waste disposal contract: £8.967m**

As approved by the Authority in December, provision is being made to assist LondonEnergy Ltd with cost increases driven by the age and condition of the energy from waste facility. These costs include maintenance and investment needed to keep the existing plant operating to its planned end of life, costs to remove or treat asbestos at the plant as well as the increasing cost of insurance.

3.4. **Composting Waste Services: £0.138m**

The forecast has been adjusted to reflect an increase in unit costs of disposals for both green waste and mixed food and green waste for the remainder of the financial year.

3.5. **Materials Recovery Facility Services: £0.147m**

Forecast full-year tonnages of dry recyclable material processed by the Authority's Materials Recovery Facility (MRF) provider increased by 1,898 tonnes compared to the December review which is reflected by the increased cost. This is principally driven by an increased tonnage from Waltham Forest.

3.6. **Transfer Station and Other Sites: £0.643m**

The cost of insuring the new facilities at the EcoPark has been finalised and the increased cost has been reflected in the forecast to recognise the contractual obligation between the Authority and LEL.

3.7. **Revenue Funding – Capital Programme: (£0.397m)**

The forecast has been adjusted to reflect the opening date of the new EcoPark Facilities. This amendment defers the recognition of interest on borrowing, reducing the forecast this financial year.

3.8. Reuse and Recycling Centre (RRCs): £0.236m

Site operating costs have increased, largely as a result of one-off repairs such as maintenance to the roof at Kings Road, as well as an increase in contractual costs. In addition, the net cost of recycling has increased across all sites by £59k.

3.9. Income from Sale of Recyclates: (£0.056m)

The increased DMR tonnage reported in paragraph 3.5 is forecast to generate increased income.

3.10. Interest on Balances: (£6.574m)

The forecast includes the recognition of an additional income from interest receivable on capital balances. This income will be used to fund the additional LEL cost pressures mentioned in paragraph 3.3 without increasing costs to boroughs through the levy and charges.

4. BALANCES AT 31 MARCH 2024

4.1. 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 a negative balance will be recovered through an additional share in the following year's levy, equal to the borough's balance.

4.2. 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 2024/25 levy, as discussed in the budget paper on this agenda.

Tables A9 and A10 in the appendix, contain the amounts owed to and owed by boroughs for non-household and chargeable household waste. The tables show that all boroughs, with the exception of Camden, are forecast to receive a refund. As reported to previous meetings, Camden has amended the split of tonnage between Household and chargeable waste types and there is a corresponding balance owed to Camden through the levy. Table A9 shows that Camden's costs for non-household waste are above budget, which offsets savings in their household waste levy costs.

4.3. These balances will be settled at the end of the financial year, once the audit of the statement of accounts is completed.

Conclusion

4.4. Allowing for the factors outlined above, the total net expenditure in 2023/24 for the Authority is estimated to be £70.883m. This represents an increase of £0.603m compared with the December update. Taking into account a net decrease in non-household and household charges since December of £0.151m, the net revenue surplus at 31 March 2024 is forecast to be £8.830m, i.e. a decrease of £0.754m since the December review.

5. EQUALITIES IMPLICATIONS

5.1. Budgets and forecasts are considered an allocation of resources. Approval to spend is sought separately by officers. The equalities implications are considered as part of the spending approval.

6. COMMENTS OF THE LEGAL ADVISER

6.1. The Legal Adviser has been consulted in the preparation of this report and comments have been incorporated.

List of documents used:

Report to the Authority 9 February 2023 – Budget and Levy 2023/24

Report to the Authority 14 December 2023 – Finance Update

2024/25 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, budget (excluding rebate) and the current forecast.

	2023/24 Budget Incl. Rebate £'000	2023/24 December Forecast £'000	2023/24 Current Forecast £'000	Variance to December Forecast £'000	Variance to Budget
Expenditure					
Main Waste Disposal Contract (ex RRC Waste)	43,859	43,908	52,826	8,918	8,967
Composting Waste Services	2,314	2,055	2,193	138	(121)
MRF Services	12,633	12,408	12,554	147	(79)
Transfer Station and Other Sites	4,625	3,437	4,080	643	(545)
Corporate and Other Support Service Costs	5,372	5,359	5,320	(39)	(52)
Waste Prevention and Communications Programme	833	998	980	(18)	147
Recycling Initiatives	287	201	200	(1)	(87)
North London Heat and Power Project	600	603	657	54	57
Carbon Capture & Storage	1,054	1,424	1,425	1	371
Revenue Funding – Capital Programme	10,868	7,286	6,889	(397)	(3,979)
	82,445	77,678	87,124	9,446	4,679
Reuse and Recycling Centres Expenditure					
Residual Waste Disposal	1,368	1,202	1,208	6	(160)
Operating Costs	4,086	4,399	4,629	230	543
	5,454	5,601	5,837	236	383
Income					
Rents	(137)	(135)	(135)	0	2
Sale of Recyclates	(5,299)	(5,106)	(5,161)	(56)	138
Income from LEL	(10,000)	(10,000)	(10,000)	0	0
Interest on Balances	(40)	(198)	(6,773)	(6,574)	(6,733)
Miscellaneous Income	0	(9)	(9)	0	(9)
	(15,476)	(15,448)	(22,077)	(6,630)	(6,601)
Net Expenditure	72,423	67,831	70,883	3,052	(1,540)
Contingency	2,448	2,448	0	(2,448)	(2,448)
Total Net Expenditure	74,871	70,280	70,883	603	(3,988)
Financed By					
Use of Balances	(10,439)	(15,881)	(15,881)	0	(5,442)
Charges to Boroughs (Non-household waste)	(8,949)	(8,686)	(8,556)	130	393
Charges to Boroughs (Chargeable Household Waste)	(1,815)	(1,629)	(1,608)	21	207
2023/24 Levy - Base Element	(58,136)	(58,136)	(58,136)	0	0
- Base Element Rebate	10,000	10,000	10,000	0	0
- RRC Element	(5,532)	(5,532)	(5,532)	0	0
Total Levy	(53,668)	(53,668)	(53,668)	0	0
Total Resources Available	(74,871)	(79,864)	(79,713)	151	(4,842)
Estimated Additional Revenue Balances at 31 March	0	(9,584)	(8,830)	754	(8,830)

Tables A2-A6 contain tonnage forecasts for the financial year. The budget and subsequent forecasts have been prepared in conjunction with borough officers.

TABLE A2 – RESIDUAL WASTE FORECAST

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 Feb Forecast Tonnes	Change Tonnes	Change %
Barnet	103,769	108,438	106,178	-2,260	-2.13
Camden	69,721	69,561	70,067	+505	+0.72
Enfield	84,560	85,020	90,691	+5,671	+6.25
Hackney	84,763	84,137	84,935	+798	+0.94
Haringey	68,147	69,697	69,651	-46	-0.07
Islington	67,959	68,447	69,650	+1,202	+1.73
Waltham Forest	63,857	65,048	66,078	+1,030	+1.56
Total	542,776	550,348	557,249	6,901	+1.24

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

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 Feb 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	6	+6	+100.00
Haringey	445	192	252	+60	+23.84
Islington	3,295	4,170	4,008	-162	-4.05
Waltham Forest	7,765	8,941	8,339	-602	-7.22
Total	11,506	13,303	12,605	-698	-5.54

TABLE A4 – FOOD WASTE FORECAST

	2022/23 Actual Tonnes	2023/24 Budget Tonnes	2023/24 43 Forecast Tonnes	Change Tonnes	Change %
Barnet	0	0	11	+11	+100.00
Camden	2,460	2,900	3,081	+181	+5.87
Enfield	0	7,900	6,935	-965	-13.92
Hackney	4,424	5,597	5,061	-536	-10.58
Haringey	3,309	3,846	3,409	-437	-12.82
Islington	0	0	0	+0	N/A
Waltham Forest	408	492	282	-210	-74.28
Total	10,602	20,735	18,779	-1,956	-10.42

TABLE A5 – GREEN WASTE FORECAST

	2022/23	2023/24	2023/24 Q4	Change	Change
	Actual	Budget	Forecast	Tonnes	%
	Tonnes	Tonnes	Tonnes		
Barnet	10,513	12,349	12,415	+66	+0.53
Camden	1,651	1,793	2,183	+390	+17.85
Enfield	296	6,900	6,733	-167	-2.48
Hackney	2,558	2,681	2,754	+74	+2.67
Haringey	2,287	2,579	2,766	+187	+6.75
Islington	487	418	619	+201	+32.49
Waltham Forest	455	193	659	+466	+70.65
Total	18,248	26,914	28,129	+1,215	+4.32

TABLE A6 – DRY MIXED RECYCLING WASTE FORECAST

	2022/23	2023/24	2023/24	Change	Change
	Actual	Budget	Feb	Tonnes	%
	Tonnes	Tonnes	Forecast		
			Tonnes		
Barnet	25,759	26,553	25,147	-1,406	-5.59
Camden	15,362	15,546	15,852	+306	+1.93
Enfield	17,616	20,000	17,525	-2,475	-14.12
Hackney	17,505	18,386	17,450	-936	-5.36
Haringey	16,985	18,459	16,687	-1,772	-10.62
Islington	14,245	14,539	14,281	-258	-1.81
Waltham Forest	18,015	18,198	17,382	-816	-4.69
Total	125,486	131,681	124,323	-7,357	-5.92

Table A7 - Re-use and Recycling Centre (RRCs) Balances at 31 March 2024

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 2023/24, the Authority estimated that it would have balances owed to boroughs of £0.077m to amend the cost of RRCs in 2023/24. The 2022/23 outturn contained reduction in balances of £0.154m.

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

	Revised RRC Balances at 1 April 2023	Total Operating Costs – 2023/24 Original Budget	Total Operating Costs - 2023/24 Current Forecast	Change in 2023/24 Total Operating Costs	Estimated RRC Balances at 31 March 2024 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	13	1,131	1,324	193	206
Camden	(35)	735	802	67	32
Enfield*	(36)	308	217	(91)	(127)
Hackney	(12)	255	269	13	2
Haringey	(7)	714	860	147	140
Islington	(12)	819	845	26	14
Waltham Forest	(66)	1,570	1,610	40	(26)
Total	(154)	5,532	5,927	395	241

* 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 £0.241m are taken into account in calculating the RRC element of the 2024/25 levy, as discussed in the paper elsewhere on this agenda.

Table A8 - Base Levy Balances at 31 March 2024

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 2023/24 base levy included estimated balances of £10.516m, which enabled the Authority to set a base levy of £58.136m. Since the levy is fixed for the year, the additional balances arising from the 2022/23 outturn feed into the estimated balance at 31 March 2024 and can be taken into account together with any in-year savings when the Authority determines its 2024/25 levy, as discussed in paper elsewhere on this agenda.

	Revised balance at 1 April 2023	2023/24 Budget Levy Costs	2023/24 Levy Costs Current Forecast	Forecast Change in 2023/24 Levy Costs	Estimated Balance at 31 March 2024 (Column 1 plus 4)
	1	2	3	4	
	£'000	£'000	£'000	£'000	£'000
Barnet	(1,249)	9,642	8,721	(921)	(2,170)
Camden	(934)	6,601	5,640	(962)	(1,896)
Enfield	(603)	8,493	8,266	(226)	(830)
Hackney	(586)	5,748	5,573	(175)	(761)
Haringey	(733)	6,202	5,552	(650)	(1,383)
Islington	(391)	4,679	4,404	(275)	(666)
Waltham Forest	(792)	6,770	6,197	(573)	(1,365)
Total	(5,288)	48,136	44,353	(3,782)	(9,070)

Tables A9 and A10 contain the costs to be charged 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 non household waste, which is not recharged via the levy.

Table A9 - Charges to Boroughs for Non-Household Waste

	2023/24 Budget Estimate £'000	2023/24 Current Forecast £'000	Repayment due (to) / from borough £'000
Barnet	1,289	1,028	(261)
Camden*	1,773	2,356	583
Enfield	1,025	908	(117)
Hackney*	2,244	1,831	(413)
Haringey *	323	317	(6)
Islington *	2,130	1,964	(166)
Waltham Forest	165	152	(13)
Total	8,949	8,556	(393)

* Including income from non-household recyclable wastes.

Table A10 - Charges to Boroughs for Chargeable Household Waste

	2023/24 Budget Estimate	2023/24 Current Forecast	Repayment due (to) / from borough
	£'000	£'000	£'000
Barnet	245	209	(37)
Camden*	125	74	(51)
Enfield	158	144	(14)
Hackney*	653	585	(68)
Haringey *	291	271	(20)
Islington *	342	325	(16)
Waltham Forest	0	0	0
Total	1,815	1,608	(207)

* Including income from non-household recyclable wastes.