**NORTH LONDON WASTE AUTHORITY**

**REPORT TITLE:** BUDGET AND LEVY 2026/27

**REPORT OF:** FINANCIAL ADVISER

**FOR SUBMISSION TO:** AUTHORITY MEETING

**DATE:** 12 FEBRUARY 2026

**SUMMARY OF REPORT:**

This report seeks approval of the budget and resource requirements for 2026/27 including the levy and charging arrangements for non-household and chargeable household waste.
The report seeks approval for Prudential Indicators and proposals for the Minimum Revenue Provision in the coming year. In addition, it provides a medium-term forecast for future years up to and including 2028/29.

**RECOMMENDATIONS:**

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 2026/27 budget;
B. Agree to use revenue balance of £4.6m to support the 2026/27 budget;
C. Agree the levy resource requirement for 2026/27 as laid out in table 1 in paragraph 1.17;
D. Authorise the Financial Adviser to make the arrangements for collection of the levy and charges for non-household and household waste;
E. Approve the prudential indicators and the basis for calculating the Minimum Revenue Provision as laid out in sections 8 and 9;
F. Note the per tonne charge for non-household and chargeable household residual and recyclable waste as laid out in table 4 in paragraph 2.30; and
G. Note the medium-term budget forecasts for 2027/28 and 2028/29.

**SIGNED:** Daniel Omisore, Financial Adviser

**DATE:** 02 February 2026

## 1. INTRODUCTION

1.1. This paper sets out the proposed 2026/27 net expenditure budget and levy for the Authority. The proposed net expenditure budget of £101.6m represents an increase of £3.1m (3.1%) on previous year's budget of £98.5m.

1.2. As reported to the Authority in December 2025, the budget forecast also includes the assumption that the Authority will take on the new responsibility of running the Barrowell Green Reuse and Recycling Centre (RRC) in Enfield from July 2026. If this cost were excluded to give a like-for-like comparison, the net expenditure of £100.9m would be a year-on-year increase before balances of 2.5%, which is lower than the current rate of inflation.

1.3. The balances available to reduce the levy are forecast to be £4.6m. After these balances are taken into account, the headline levy increase is 2.7% (on a like-for like basis excluding new costs for Barrowell Green this would be 1.9%). The levies broken down by borough are included in table 1 in section 1.16.

1.4. Further detail on the underlying budget assumptions and the resulting costs to boroughs is set out in- sections 2 and 3 of this paper.

### Engagement to inform final budget proposal

1.5. 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.

1.6. After consulting with borough counterparts to review the tonnage forecasts it shows that the latest 2026/27 tonnage forecasts are similar to the tonnages presented in December Authority meeting. The forecasts show a small decrease in residual and garden waste tonnage, a small increase in dry mixed recycling, and food waste. See section 5 below for more details.

1.7. At the 27 January meeting to review these assumptions, the Members Finance Working Group (MFWG) acknowledged the importance of the proposed Authority budget being sufficiently robust and flexible to meet its statutory operational obligations and with sufficient funding to support the capital expenditure.

1.8. Officers met with borough Directors of Finance on 20 January and Directors of Environment on 29 January to consider the Authority's proposed budget and resource requirements for 2026/27.

## PROPOSED BUDGET

### Economic Uncertainties

1.9. The proposed budget for 2026/27 contains a net expenditure requirement of £101.6m, a year-on-year increase of 3.1% from the budget for 2025/26. The year-on-year increase includes increased costs of composting waste disposal due to anticipated price increases following retendering, a full year of operating costs for the Resource Recovery Facility based on actual operating conditions, cost of waste prevention initiatives, Minimum Revenue Provision (MRP) and interest being recognised due to the assets coming online, and increased support for LondonEnergy Ltd (LEL) as the existing energy from waste plant is ageing and has become less efficient.

### Social Responsibility

1.10. As well as funding the items outlined above, the proposed 2026/27 budget will continue to support waste prevention activities. This includes grant funding for local groups, the development of the in-school education programme and the first full year of operation at EcoPark House, the education and community centre which officially opened in June 2025.

The Authority will continue progress work on carbon capture and storage while proceeding at a pace consistent with national policy developments, it will maintain and improve recycling services, support its workforce to meet future challenges, and ensure that borrowing costs are met. Some funding from Extended Producer Responsibility (pEPR) will also be invested in circular economy projects to support waste prevention and recycling.

### New Undertakings

1.11. The proposed budget also includes funding that will be received from the Government for Extended Producer Responsibility (pEPR). The Government has announced that the Authority will receive £13.5m for pEPR in 2026/27. Following discussions with the MFWG and borough Directors, all of the £13.5m has been incorporated in the budget to reduce the requirement on borough levies. Further detail is provided in section 7 of this report.

1.12. In additional, it includes nine months of budget to operate the Barrowell Green reuse and Recycling Centre, the reuse shop at that site and provision for a new reuse shop at the EcoPark RRC.

1.13. A triangulation exercise comparing the proposed budget to both the Business Plan and High-Level Risk Register was undertaken by officers to ensure all items remain deliverable, furthermore, it confirms that available resources align with NLWA’s strategic priorities while still enabling the Authority to respond effectively to risks without compromising long-term stability.

**Corporate Resourcing**

1.14. A key challenge is the need to continue delivery against the Authority's long-term goals while maintaining progress on the resource-intensive North London Heat and Power Project (NLHPP). The Authority has been managing its personnel requirements to keep up with the developing priorities both within the 'business as usual' activities and the programme. The Authority is making substantial progress on activities to encourage reduction, reuse and repair and on educational initiatives, as well as maintaining the disposal services on which residents depend. In addition, it is managing the North London Heat and Power Project (NLHPP).

1.15. In line in with the Authority's strategic approach to strengthening internal capability, several NLHPP roles and functions have been progressively in-housed to enhance resilience, reduce dependency on external providers, ensure continuity across programme and business-as-usual activity and reduce costs in the long term.

**New RRCs and Transfer Station**

1.16. The new Eco Park Reuse and Recycling Centre is now fully operational. From July 2026, the Authority will take over the management of Barrowell Green Reuse and Recycling Centre, which is owned by the London Borough of Enfield. Construction has already begun at Geron Way, the new transfer station owned and being built by the London Borough of Barnet, and all related costs have been included in this budget.

**Funding Through the Levy & Charges and Use of Balances**

1.17. The budget will be funded by balances of £4.6m, non-household waste charges of £11.7m, household waste charges of £2.0m and a levy of £83.3m (consisting of a base element of £75.8m and a Re-use and Recycling Centre (RRC) element of £7.5m). The levy for each borough is shown below in table 1.

| | Forecast Levy before balances | | | Balances available | | | Forecast Levy after balances | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2025/26 £000s | 2026/27 £000s | Increase/ Decrease | 2025/26 £000s | 2026/27 £000s | Increase/ Decrease | 2025/26 £000s | 2026/27 £000s | Increase/ Decrease |
| Barnet | 17,996 | 17,821 | -1.0% | (1,135) | (728) | -35.9% | 16,861 | 17,093 | 1.4% |
| Camden | 9,085 | 9,345 | 2.9% | (500) | (323) | -35.3% | 8,585 | 9,022 | 5.1% |
| Enfield | 13,845 | 14,921 | 7.8% | (914) | (960) | 5.1% | 12,931 | 13,961 | 8.0% |
| Hackney | 10,960 | 11,308 | 3.2% | (503) | (634) | 26.0% | 10,457 | 10,674 | 2.1% |
| Haringey | 11,954 | 12,429 | 4.0% | (679) | (330) | -51.4% | 11,275 | 12,099 | 7.3% |
| Islington | 9,628 | 9,381 | -2.6% | (188) | (892) | 374.4% | 9,440 | 8,489 | -10.1% |
| Waltham Forest | 12,084 | 12,714 | 5.2% | (522) | (763) | 46.3% | 11,562 | 11,951 | 3.4% |
| | 85,552 | 87,919 | 2.8% | (4,440) | (4,630) | 4.3% | 81,112 | 83,289 | 2.7% |

*Table 1 – Proposed levies*

1.18. There are two boroughs whose levy before balances reduces compared to 2025/26.

1.18.1. Barnet will collect food waste in 2025/26 which is budgeted to transfer in excess of 8,000 tonnes of waste from the residual waste stream into the food waste stream. The latter is significantly cheaper per tonne of waste.

1.18.2. Islington are expecting to deliver almost 5,000 fewer tonnes of household waste (mainly residual waste) in 2026/27 compared to the budget for 2025/26. This is charged through the levy. However, they have provided information that they will deliver an additional 3,300 tonnes of non-household (commercial) waste. This is paid for through the non-household charges. The overall effect is a £0.3m movement between the levy and charges. The same adjustment to the 2025/26 forecast means that forecast balances at March 2026 that can be used to reduce the levy, are higher than in the previous year.

1.19. The £4.6m of balances available to offset the levy are higher than in the previous year. As reported in the Finance Update also on this agenda, during 2025/26, residual waste volumes were lower than borough projections. This reflects, in part, a development in collection strategy by one borough, as well as lower than anticipated overall tonnages of residual waste.

1.20. Notably, while residual waste decreased year on year by 5.2%, recycling volumes increased by 2.8%. This represents a positive trend that the Authority will aim to sustain. These factors have contributed to higher forecast balances in 2025/26.

1.21. The 2.7% increase in the levy includes the cost of operating the Barrowell Green RRC. Excluding this cost for a like-for-like annual comparison, the levy increase would be restricted to 1.9% which is below the current rate of inflation.

**2026/27 Budget challenges**

1.22. At the MFWG, Members were briefed on the financial pressures, opportunities and risks that the Authority faces in 2026/27 and future years due to a combination of factors as outlined below. An estimate of the impacts has been factored into the budget for the coming year.

1.23. **LEL are facing medium-term budget pressures.** This is related to the age of the waste facility, and in future years the cost of a transitional period of managing two major plants; commissioning of the new energy recovery facility and ceasing operation in the existing one. The aim is to minimise expenditure on the plant while keeping it operating successfully. The plant’s continued operation is needed until the new energy recovery facility is fully operational because the option of employing third party facilities for the treatment of large quantities of waste at short notice would be significantly more costly.

1.24. In December 2024, the Authority was advised that additional support of £7m per annum would assist LEL in this regard and this has been included in the proposed budget.

1.25. **Higher interest rates impacting the cost of borrowing**. Whilst NLWA have benefited from borrowing when interest rates were low, future borrowing costs including in 2026/27 are expected to be higher than were obtained pre-2022. However, the impact of these higher costs will be felt only after the new energy recovery facility is in operation.

1.26. **Inflation uncertainties impacting major contracts**. Although the increase in inflation has slowed and is currently close to the government target, the Authority's long-term contracts are indexed with the Retail Price Index or Consumer Price Index, and therefore the Authority is susceptible to changes in inflation driving costs.

1.27. **Smooth transition of new facilities into operation.** While detailed planning is made to implement transition, uncertainties cannot be eliminated.

1.28. **The lease of Wembley transfer station ends in 2027**. The Authority is working with the London Borough of Barnet on an alternative site at Geron Way in Cricklewood.

1.29. This report contains sections as follows:

Section 2 Review of the 2026/27 Proposed budget.
Section 3 Apportionment of the 2026/27 levy.
Section 4 Externalities
Section 5 Medium Term Forecast for 2027/28 to 2028/29.
Section 6 Extended Producer Responsibility
Section 7 The Maintenance Reserve
Section 8 Prudential Indicators
Section 9 Minimum Revenue Provision
Section 10 Advice on Reserves and Balances and Robustness of the Budget Process
Section 11 Conclusion.
Section 12 Equalities Implications
Section 13 Comments of the Legal Adviser
Appendix A 2026/27 supporting information and tables
Appendix B Medium Term Forecast for 2027/28 to 2028/29
Appendix C Medium Term Financial Strategy

## 2. REVIEW OF THE 2026/27 PROPOSED BUDGET

2.1. Since the budget was approved in February 2025, a forecast revenue balance of £4.6m is now expected at 31 March 2026, as detailed in this report and the Finance Update paper elsewhere on the agenda. This forecast surplus can be applied to reduce the levy. Table 2 below summarises the projected year on year changes to the levy and charges, showing an overall increase in borough recharges of 3.1%, including a 2.7% increase in the levy.

| | 2025/26 Budget £'000 | 2026/27 Budget £'000 | Variance £'000 | Variance % |
|---|---|---|---|---|
| Charges - non-household | 11,067 | 11,662 | 594 | 5.4% |
| Charges - household | 1,892 | 2,020 | 127 | 6.7% |
| Levy | 81,112 | 83,288 | 2,176 | 2.7% |
| **Total** | **94,072** | **96,970** | **2,898** | **3.1%** |

*Table 2 – Proposed levy and charges*

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

**2026/27 Budgeted Activity**

2.3. The waste tonnage forecasts have been reviewed with borough officers in December and early January. In 2026/27 the volume of waste forecast is detailed below:

2.4. Residual waste is forecast to be 533,792 tonnes; this is a decrease of 5,179 tonnes (1.0%) from the latest 2025/26 forecast. This drop is principally driven by the London Borough of Barnet's roll-out of separate food waste collections and housing growth expectations by some of the boroughs being revised.

2.5. Dry mixed recycling is forecast at 126,976 tonnes, representing a modest increase of 493 tonnes (0.4%) compared with the latest 2025/26 tonnage forecast. The Authority continues to invest in education, behaviour change and communications initiatives to raise awareness of recycling across North London communities.

2.6. Organic waste is currently forecast to be 69,086 tonnes, 12,068 (21.2%) higher than the 2025/26 forecast. Food waste is forecast to be 37,009 tonnes, an increase of 9,278 tonnes (33.5%) from the 2025/26 forecast. This is driven by a large increase from Barnet introducing food collection to their waste services, and accounts for 8,854 tonnes of this increase. Green waste is forecast to be 32,077 tonnes, 2,790 tonnes (9.5%) increase against the 2025/26 forecast.

2.7. A borough breakdown of the dry mixed recycling and organic waste forecast are included in tables A3-A5 in the appendix.

**Main Waste Contracts & RRCs, predominately LondonEnergy:**

**Transport & Disposal and Landfill Tax**

2.8. The 2026/27 transport and disposal cost has been based on forecast residual waste stream of 533,792 tonnes (excluding RRC tonnages), a decrease of 5,179 tonnes (1.0%) compared to the 2025/26 forecast outturn. These tonnages reflect the outcome of detailed discussions with officers from all constituent boroughs and the impacts are therefore tailored to each borough's circumstances. A breakdown by borough which excludes RRC tonnage is included in Table A2 in Appendix A.

2.9. The electricity income claim, and landfill tax claim (verified to the LEL budget) reflect the throughput that can be achieved. Electricity prices are forecast to remain at a level that results in no compensation due to LEL in the year. The Government has advised that landfill tax rates will rise from £126.15 per tonne to £130.75 per tonne from April 2026. The landfill tonnage in the budget was derived with an estimated 1% reduction in year on year residual waste and RRC residual waste.

**Reuse & Recycling Centres**

2.10. The budget provides for the operation of seven Reuse and Recycling Centres at a cost of £7.425m. The forecast includes recycling and operational costs for Barrowell Green RRC from July 2026, which were previously funded directly by Enfield Council. These costs are attributed to boroughs based on the 2022 visitor survey.

2.11. Two new reuse shops will be introduced from mid-year 2026: the Revive Shop at Barrowell Green RRC and an additional shop at EcoPark South RRC. The budget assumes a cost-neutral position for all three reuse shops operated by London Energy.

2.12. The amount charged to the relevant boroughs through the 2026/27 levy will also allow for the change in balances that arose from the closure of the 2024/25 accounts and forecast changes in balances from 2025/26. A borough-by-borough analysis of these costs is provided in Table A6 in Appendix A.

2.13. The costs of operations now reflect estimated rebate from recyclates, and it is assumed that tonnages and site operating costs (excluding sites enhancement costs) for the 2026/27 forecast will be broadly in line with 2025/26, adjusted for RPI.

**LEL Additional Support**

2.14. As reported to the Authority in December 2024 as part of its budget setting process, LondonEnergy is facing challenges due to the increasing age of the existing energy from waste plant that it operates. The main waste disposal contract came into force in January 2015 and was originally intended to last for ten years. The pricing structure of the contract has only had minor variations over the last nine and a half years. The contract was designed to increase annually in line with the retail price index (RPI). Income from the contract provides the majority of LEL's income. The company has relatively high fixed costs, and as the energy from waste facility has aged, the waste it has treated has reduced. The Authority pays the company a gate fee for each tonne treated, and with the reduced volumes treated there is a gap between LEL's income and costs. The budget therefore includes an additional £7m of support for the company in 2026/27.

**Recycling & Composting contracts, predominately third party contractors:**

**Composting Waste Services and Materials Recycling Facility (MRF) Services**

2.15. Food waste and green tonnages will increase by 12,068 tonnes to 69,086 tonnes in 2026/27 compared to the 2025/26 forecast, this is mainly driven by the London Borough of Barnet commencing disposal of Food waste which accounts for 77% of this increase. Borough breakdowns are in tables A3 and A4 in Appendix A. The Authority will work with LondonEnergy and constituent boroughs over coming months to ensure that the charges to boroughs for these types of waste are the cheapest methods of disposal.

2.16. Mixed dry recycling tonnages are expected to increase by 493 tonnes compared to the 2025/26 forecast. This increase reflects the latest forecasts supplied by the boroughs. In addition, the budget reflects the inflation increase on the additional bulking charges for tonnages that are delivered via the transfer stations.

**Rebate from the Sale of Recyclates**

2.17. The average price achieved in 2025/26 shows a decline in rate against the trend of the previous two years (2024/25: 11.3% and 2023/24: 5.7%) from significant market volatility and this decline looks set to continue in the short term from current market indications. Actual prices are based on an open market index of commodities that the Authority collects and are available on letsrecycle.com. The budget figures are based on the latest year of process costs incurred by the Authority and assumes that they follow a similar pattern to 2025/26.

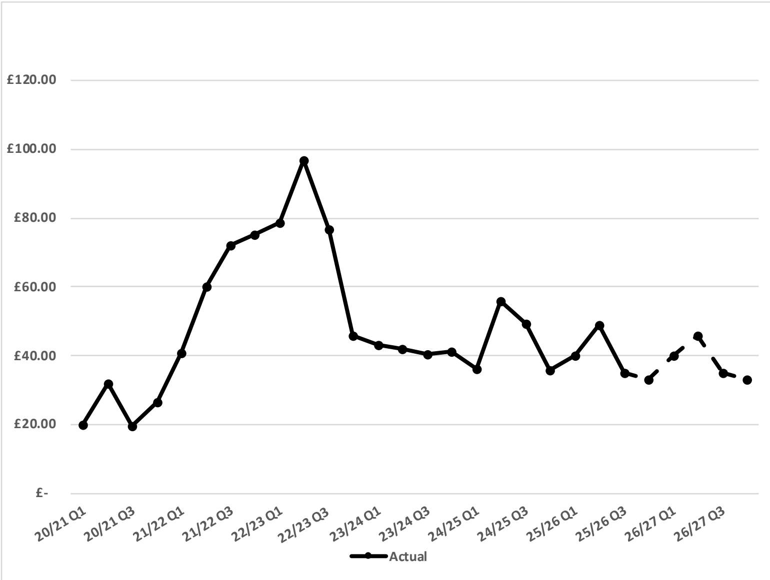


*Table 3: Recycling basket market prices*

**Corporate and Other Support Services costs**

2.18. The Authority continues to work to improve internal capabilities in system, data and staffing and the associated costs. The establishment has been expanded over recent years to manage new assets being constructed and owned by the Authority. The 2026/27 proposed budget includes costs for projects such as development of an Area plan for Pinkham Way and a RRC visitor survey.

**Carbon Capture**

2.19. The budget and medium-term plan include the approved cost for preparing the outline business case for a carbon capture and storage solution at the new energy recovery facility. The project, which aligns with the pace of government policy development, will have a lower level of activity in 2026/27 reflecting external developments.

**Waste Prevention Programme**

2.20. The budget contains provision to maintain the community fund grants programme at £250k, as agreed at the December 2025 Authority meeting. This is within an overall proposal which is forecast to be in line with the 2025/26 budget, as additional circular economy activities are being matched from Extended Producer Responsibility funding, ensuring no impact on the levy. The projects include:

2.20.1. A recycling contamination taskforce to target areas where the contamination of recycling with non-recyclable materials is a particular issue.

2.20.2. Reducing nappy product waste through recycling, behaviour change, and public affairs.

2.20.3. Scaling waste prevention and education initiatives to drive measurable behaviour change, enhance circularity, and deliver social value.

2.20.4. Addressing fast fashion and textile waste through research, innovation, and collaborative campaigns with partners.

2.20.5. Promoting recycling through recycling incentives, cross-borough communications and AI solutions.

2.20.6. Expanding the trial of the electrical repair voucher scheme.

**North London Heat & Power Project**

2.21. It remains essential that the Authority maintains a fully resourced and resilient project team to ensure the continued safe, compliant and effective management of the NLHPP. The advisor and non-construction elements of the 2026/27 NLHPP budget therefore fund the core functions required to sustain programme delivery, including financial management and assurance activities, digital systems that support project controls and reporting, statutory and community engagement, specialist technical and commercial expertise, legal and insurance services, and the NLWA staff responsible for programme governance and oversight. These costs represent the foundational capabilities necessary for a major infrastructure programme of this scale and they also constitute ongoing costs, with certain elements eligible for capitalisation and others treated as operating expenditure, depending on the nature and accounting treatment of the underlying activities.

2.22. The budget forecast includes the ongoing NLHPP costs that are treated as operating expenditure and cannot be capitalised. These are therefore funded through the levy and charges.

2.23. Costs that can be capitalised are funded by borrowing. The interest payable on the loans will be added to project costs during the construction period.

**Revenue Funding of the Capital Programme**

2.24. The budget forecast provides for the financing of:

2.24.1. The Authority's investment in LondonEnergy;

2.24.2. Pinkham Way;

2.24.3. Lease of laydown area, part of the EcoPark and the purchase of Deephams Farm Road to support the NLHPP;

2.24.4. The new assets created by the EcoPark South project;

2.24.5. The possible refurbishment of RRC sites;

2.24.6. The Authority's leases of a transfer station at Wembley and its offices in Tottenham; and

2.24.7. The possible investment in a waste transfer station.

2.25. 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.

2.26. The costs of borrowing for the NLHPP are rolled into the capital cost until the asset comes into use.

**Inflation**

2.27. 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 2025 was 4.2%. The summary of independent forecasts published by HM Treasury in January 2026 estimates the December 2026 annual RPI increase at 3.0% and where relevant, the Consumer Price Index (CPI) at 2.2%. These have been factored into the proposed budget.

**Extended Producer Responsibility**

2.28. PackUK have confirmed that the pEPR payment for 2026/27 will be £13.5m. The proposed budget releases all of it to reduce the levy inclusive of £1.7m to be used in year to fund circular economy initiatives

**Non-Household Waste Charges**

2.29. Following discussions with boroughs officers, the Authority is expecting to receive 99,199 tonnes of non-household waste in 2026/27, an increase of 5,264 tonnes compared to the forecast for 2025/26. The 2026/27 tonnage comprises 79,026 tonnes of residual waste, 14,390 tonnes of dry mixed recyclable waste, 5,699 tonnes of food and 84 tonnes of green waste.

2.30. The estimated charges per tonne of waste are included in table 4 below. The charge for dry recyclable waste is inclusive of the rebate the Authority receives through the income sharing arrangements with its Materials Recycling Facility (MRF) providers. The estimated cost for 2026/27 is £11.7m and a breakdown of the cost for each borough is analysed in table A8 in Appendix A.

| | Price Per Tonne |
|---|---|
| | £ |
| Residual | 128.35 |
| Green | 79.16 |
| Food | 43.98 |
| Mixed Dry Recyclable | 87.64 |

Table 4 – Proposed Charges per tonne for non-household and chargeable household waste

**Chargeable Household Waste**

2.31. The Authority expects to receive 17,308 tonnes in 2026/27, an increase of 2,683 tonnes from the 2025/26 forecast. The 2026/27 tonnage comprises 13,799 tonnes of residual waste, 2,164 tonnes of dry mixed recyclable waste and 1,345 tonnes of food waste.

2.32. The estimated charges per tonne of waste are included in Table 4 above. The charge for dry recyclable waste is inclusive of the income the Authority receives through the rebate arrangements with its MRF provider. The estimated cost to the boroughs in 2026/27 is £2.0m. The cost is analysed by borough in Table A9 in Appendix A.

**Contingency**

2.33. Previous sections of this report have advised Members of the robustness of individual budget heads to meet the Authority's statutory waste disposal obligations. However, the Authority needs to consider funding of any additional costs. In particular, if there are any concerns about the level of the waste stream delivered to the Authority by constituent councils, ability to generate income from the sale of recycling, secure treatment capacity at third party facilities or ensure that there are sufficient resources to fund the costs of the NLHPP. This is important because once the levy is set the Authority is unable to secure additional funds from its constituent councils.

2.34. While considering, Members should bear in mind that because almost 70% 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.

2.35. 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). As there is a degree of uncertainty about the scale of a few 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 (£2.0m), totalling £3.0m.

## 3. APPORTIONMENT OF THE 2026/27 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 2026/27 can be found in tables A6 and A7 in Appendix A):

| | **2025/26 Levy** | | | **2026/27 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 | 15,278 | 1,582 | 16,861 | 15,459 | 1,634 | 17,093 | 232 | 1.4 |
| Camden | 7,764 | 822 | 8,586 | 8,118 | 904 | 9,022 | 436 | 5.1 |
| Enfield | 12,624 | 308 | 12,932 | 12,864 | 1,097 | 13,961 | 1,030 | 8.0 |
| Hackney | 10,151 | 307 | 10,457 | 10,347 | 327 | 10,673 | 216 | 2.1 |
| Haringey | 10,019 | 1,256 | 11,274 | 10,970 | 1,129 | 12,099 | 824 | 7.3 |
| Islington | 8,420 | 1,020 | 9,440 | 7,517 | 973 | 8,489 | (951) | (10.1) |
| Waltham Forest | 10,227 | 1,334 | 11,562 | 10,509 | 1,442 | 11,951 | 389 | 3.4 |

*Table 5: The 2026/27 levy split between the base and RRC elements for each borough*

## 4. EXTERNALITIES

### Economic Uncertainties

4.1. The Authority's budget is exposed to risks due to economic uncertainties either through changes in waste levels, which are impacted by the general activity levels in the economy, or via changes to inflation or interest rates. The forecast includes assumptions for inflation. Therefore, after December 2026, it is assumed that inflation lies within the government targets (2.5% for the RPI and 2.0% for the Consumer Price Index. For every 1% difference from this the equivalent cost would be movement of £1m to the Authority.

**Legislative Reform**

4.2. Since the December meeting, there has been no significant announcements from the Government and uncertainties surrounding potential new central government waste reforms remain.

**Business Continuity**

4.3. The 2026/27 budget forecast includes a provision of £7m to support LEL in the period until the new Energy Recovery Facility is operational and a new operating contract is in place. This will support the Authority's objectives and makes allowance for short term planned outages in LEL's business plan.

## 5. MEDIUM TERM FORECAST AND FINANCIAL STRATEGY 2027/28 AND 2028/29

5.1. The medium-term forecast allows for RPI inflation at government targets, 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 £1m 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 2026/27. A detailed breakdown is included in Appendix B.

5.3. Net expenditure increases by £8.8m from the 2026/27 proposed budget to the 2027/28 forecast. This is mainly driven by inflation and reduced pEPR funding received. For 2028/29, as per the Authority's pEPR policy, the Authority could use some of these monies to offset cost increases, and ensure a low percentage year-on-year net expenditure increase.

5.4. During the year, the Authority might generate balances which will reduce the future levy requirement. Tables 6 and 7 below show the possible movement of the levy in future years for 2027/27 and 2028/29.

5.5. As a comparator, this time last year, the budget forecast for 2026/27 with no balances available, contained a forecast increase of 10.7% (which has now reduced to 1.9% on a like-for-like basis). 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.

| | 2026/27 Proposed Levy £'000 | 2027/28 Forecast Levy £'000 | Variance £'000 | % |
|---|---|---|---|---|
| Barnet | 17,093 | 19,183 | 2,090 | 12.23 |
| Camden | 9,022 | 10,104 | 1,082 | 11.99 |
| Enfield | 13,961 | 16,353 | 2,392 | 17.13 |
| Hackney | 10,674 | 12,267 | 1,593 | 14.92 |
| Haringey | 12,099 | 13,462 | 1,363 | 11.27 |
| Islington | 8,489 | 10,137 | 1,648 | 19.41 |
| Waltham Forest | 11,951 | 13,673 | 1,722 | 14.41 |
| **Total** | **83,289** | **95,179** | **11,890** | **14.28** |

*Table 6 – Forecast levy for 2027/28 with no balances currently available*

| | Net Expenditure £'000 | Base Levy £'000 | RRC Levy £'000 | Total £'000 | Increase % |
|---|---|---|---|---|---|
| 2027/28 | 110,413 | (87,343) | (7,836) | (95,179) | 14.3% |
| 2028/29 | 111,119 | (87,577) | (8,032) | (95,609) | 0.5% |

*Table 7 – Forecast levies for 2027/28 & 2028/29*

**Medium Term Financial Strategy**

5.6. The Medium Term Financial Strategy (MTFS) outlines the Authority's financial strategy in detail for the period up to 2028/29 aligning with the Authority's strategic goals and addressing key challenges and opportunities. The main objectives of the strategy are to:

5.6.1. **Prioritise Resources** - Align financial resources with NLWA's strategic goals to achieve long-term objectives, such as waste reduction, environmental sustainability, and community engagement.

5.6.2. **Maintain Financial Stability** - Ensure a balanced budget position for the next financial year and create a sustainable MTFS that strengthens NLWA's financial position over time.

5.6.3. **Support Decision Making** - Provide a robust framework for financial decision-making, exercising probity, prudence, and strong financial control.

5.6.4. **Deliver Value for Money** - Ensure efficient use of resources and deliver value for money to residents through effective financial management and cost-saving initiatives.

5.6.5. **Manage Risks** - Maintain financial reserves and balances at an appropriate level to manage risks and uncertainties, including operational failures and funding changes. It should be noted that where anticipated changes in collection and disposal strategies contain significant uncertainties (such as the deposit return scheme and the emissions trading scheme), these have been excluded from the forecasts, but are captured as issues in the MTFS

5.6.6. **Review Budgets** - Continuously review budgets to ensure resources are targeted at key priorities and adapt to changing economic conditions.

5.7. The strategy document has been prepared to sit alongside the budget and the full document can be found at Appendix C.

## 6. EXTENDED PRODUCER RESPONSIBILITY (pEPR)

6.1. The Authority proposes to continue to set aside part of the pEPR income to address the fluctuating pressures in the short to medium term that the budget faces.

6.2. NLWA aims to address short to medium-term pressures by:

6.2.1. Extending the life of the existing facility,

6.2.2. Alleviating capital pressures,

6.2.3. Reserving funds for circular economy initiatives,

6.2.4. Smoothing the multi-year NLWA budget, including reducing borough levies

6.3. The assumptions are that NLWA does not expect to underspend, future funding levels are uncertain, based on external stakeholder liaison. NLWA's funding structure allows flexibility, eliminating in-year borough resource requirements. A consistent year-on-year drawdown of EPR income is initially set to reduce borough levies, subject to change as financial positions become clearer.

6.4. In 2025/26, The government guaranteed pEPR funding of £14.479m for the first year. Subsequently, PackUK, the scheme administrator, confirmed that the amount that NLWA would receive £13.204m with the remainder being paid by the Government as part of the guarantee.

6.5. There was no guarantee for subsequent years, however PackUK have confirmed that the pEPR payment for 2026/27 will be £13.509m. Paragraph 2.28 outlines the uses of this funding in 2026/27.

6.6. The Authority aims to use this funding to cap levy increases to a maximum of 5%, however any balances which are generated in intervening years would affect the actual costs which are applied to boroughs. The aims are to:

6.4.1. Reduce variability in levy increases year-on-year,

6.4.2. Alleviate cost pressures on boroughs,

6.4.3. Ensure adequate reserves for future risks.

## 7. MAINTENANCE RESERVE

7.1. The Authority is transitioning to being the owner of significant infrastructure assets now that new facilities have started to open at the EcoPark. These new assets will bring about new maintenance requirements, including cyclical maintenance, especially in relation to the ERF which can result in high levels of expenditure in some years and lower expenditure in others. This could present a risk if expenditure had to be brought forward.

7.2. As a result, in February 2024, the Authority agreed to create a maintenance reserve. It was intended that this would be used to manage maintenance requirements to prevent fluctuations in future levies and mitigate any medium term issues relating to LEL.

7.3. At the end of 2024/25, the reserve stood at £11.7m. This represented interest that was earned on balances held that had been borrowed for the capital programme but had not yet been spent. In 2025/26, the Authority approved the release of £5m to support part of the increase in LEL costs. At the end of 2025/26, the forecast for interest arising on NLHPP cash balances in-year is £3.5m which will be added to reserves. In addition, this will be topped up with £7.8m of pEPR funding, bringing the forecast for the reserve to £18.0m.

7.4. In 2026/27 however, the reserve will not be topped up from pEPR funding as the full amount of £13.5m has been recognised as income to reduce levy to the boroughs. The maintenance reserve is therefore forecast to remain at £18.0m at the end of 2026/27. Additional interest on cash balances would supplement this.

7.5. 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. PRUDENTIAL INDICATORS

8.1. 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.

**Indicators for Affordability**

8.2. The Authority's capital programme for 2025/26 to 2028/29 includes:

8.2.1. Continued construction of the Energy Recovery Facility at the Edmonton EcoPark, part of the £1.5bn NLHPP project is being reviewed due to delays. The best estimate used to form the input to prudential indicators is £1.52bn.

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

8.2.3. Based on this capital programme of £583m (2025/26 to 2028/29) the following ratios of financing costs (i.e. interest and minimum revenue provision) 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 | | | | | |
|---|---|---|---|---|---|
| | 2024/25 Actual | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate | 2028/29 Estimate |
| | 18.11% | 21.03% | 19.92% | 17.52% | 16.69% |

8.2.4. 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, reported in February 2025, are:

| Impact on the NLWA Levy | | | | | |
|---|---|---|---|---|---|
| | 2024/25 Actual | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate | 2028/29 Estimate |
| £m | 1.307 | 0.784 | 1.010 | 0.454 | -0.431 |

8.2.5. The impact on the levy reflects changes to the financing charges included in the 2026/27 budget and forecast compared to similar numbers in 2025/26. This is driven by the addition of leases to the charges.

8.3. **Indicators for Prudence**

8.3.1. 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 2024/25 and no difficulties are envisaged in 2025/26 or subsequent years. The CFR reflects the cumulative capital expenditure less any provision made for the minimum revenue provision in year. The following Capital Financing Requirements are therefore recommended for approval:

| Capital Financing Requirement | | | | | |
|---|---|---|---|---|---|
| | 2024/25 Actual | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate | 2028/29 Estimate |
| £m | 989 | 1,209 | 1,439 | 1,498 | 1,527 |

8.3.2. 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. 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.

8.4. **Indicators for capital expenditure, external debt and treasury management**

8.4.1. Planned capital expenditure for 2025/26 to 2028/29 is to support the building of a new Energy Recovery Facility and to plan for the demolition of the existing Energy from Waste facility at the EcoPark. There will be a small amount of capital expenditure to enhance the facilities that have already been constructed.

8.4.2. The rate of expenditure has not been as high as forecast in the prudential indicators in February 2025. The programme has been replanned and the following estimated capital expenditure is recommended:

| Capital Expenditure | | | | | |
|---|---|---|---|---|---|
| | 2024/25 Actual | 2025/26 Estimate | 2026/27 Estimate | 2027/28 Estimate | 2028/29 Estimate |
| £m | 168 | 231 | 242 | 70 | 40 |

8.4.3. 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 | | | | | |
|---|---|---|---|---|---|
| **£m** | **2024/25 Actual** | **2025/26 Estimate** | **2026/27 Estimate** | **2027/28 Estimate** | **2028/29 Estimate** |
| Borrowing | 1,280 | 1,500 | 1,500 | 1,520 | 1,520 |
| Other long term liabilities | 1 | 1 | 1 | 1 | 1 |

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

| Operating Boundary for External Debt | | | | | |
|---|---|---|---|---|---|
| **£m** | **2024/25 Estimate** | **2025/26 Estimate** | **2026/27 Estimate** | **2027/28 Estimate** | **2028/29 Estimate** |
| Borrowing | 1,280 | 1,500 | 1,500 | 1,520 | 1,520 |
| Other long term liabilities | 1 | 1 | 1 | 1 | 1 |

8.4.5. 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 | | | | | |
|---|---|---|---|---|---|
| | **2024/25 Actual** | **2025/26 Estimate** | **2026/27 Estimate** | **2027/28 Estimate** | **2028/29 Estimate** |
| **£m** | 1,280 | 1,500 | 1,500 | 1,520 | 1,520 |

| Net Principal re Variable Rate Borrowing | | | | | |
|---|---|---|---|---|---|
| | **2024/25 Actual** | **2025/26 Estimate** | **2026/27 Estimate** | **2027/28 Estimate** | **2027/28 Estimate** |
| **£m** | 0 | 0 | 230 | 250 | 250 |

8.4.6. 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 2026/27. Given the Authority’s particular investment needs, the limits provide maximum flexibility for short-term borrowing.

| Maturity Structure of fixed rate borrowing during 2026/27 | Upper Limit % | Lower Limit % | Current % |
|---|---|---|---|
| Under 12 months | 100 | 0 | 1 |
| 12 months and within 24 months | 100 | 0 | 1 |
| 24 months and within 5 years | 100 | 0 | 4 |
| 5 years and within 10 years | 100 | 0 | 7 |
| 10 years and above | 100 | 0 | 87 |

8.4.7. The indicators will be kept under review.

**9. MINIMUM REVENUE PROVISION**

9.1. 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.

9.2. For 2026/27, 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.

9.3. 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.

**10. ADVICE ON RESERVES AND BALANCES AND ROBUSTNESS OF THE BUDGET PROCESS**

10.1. 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 Financial Adviser to report to the Authority on:

10.1.1. The adequacy of the proposed reserves; and

10.1.2. The robustness of the budget.

10.2. The level of balances and the robustness of estimates are 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.

10.3. 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.

**11. CONCLUSION**

11.1. The detailed 2026/27 proposed budget is fully funded 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.

11.2. Since the December 2025 meeting, Authority officers have reviewed underpinning assumptions and have consulted with the MFWG and borough Directors of Finance. Both groups were content with the proposed approach and the 2026/27 proposed budget reflects this. Members will be advised of progress against the budget in regular budget review reports to the Authority.

11.3. The Authority can agree the 2026/27 levy at £83.3m (comprising a base levy element of £75.8m and an RRC element of £7.5m). In total, this represents an increase of 2.7% increase compared with the 2025/26 levy. On a like-for-like basis, excluding the additional costs for Barrowell Green RRC, the increase would be 1.9% which represents an increase that is lower than inflation.

11.4. NLWA officers are working diligently to ensure risks are mitigated and costs kept under control to battle these financial challenges and will continue to do so well into the future.

## 12. EQUALITIES IMPLICATIONS

12.1. 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.

## 13. COMMENTS OF THE LEGAL ADVISER

13.1. 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.

13.2. 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:

13.2.1. Apportioning costs in proportion to the tonnage of household waste delivered by each of council; and

13.2.2. For non-household waste and other costs, apportioning costs on the basis of the council tax base.

13.3. 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 13 February 2025 – Revenue Budget and Levy 2025/2026
Report to the Authority 19 June 2025 – Finance Update
Report to the Authority 4 December 2025 – Finance Update
2026/27 budget working papers

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## APPENDIX A: 2026/27 PROPOSED BUDGET

Table A1 below provides a summary of the 2026/27 proposed budget.

| | 2025/26 Budget £'000 | 2026/27 Proposed Budget £'000 | Variance to budget |
|---|---|---|---|
| **Expenditure** | | | |
| Main Waste Disposal Contract (ex RRC Waste) | 48,888 | 46,262 | (2,626) |
| Composting Waste Services | 1,696 | 3,546 | 1,850 |
| MRF Services | 14,185 | 14,775 | 590 |
| Transfer Station and Other Sites | 10,959 | 11,492 | 533 |
| Corporate and Other Support Service Costs | 6,041 | 6,984 | 943 |
| Waste Prevention | 723 | 1,750 | 1,026 |
| Recycling Initiatives | 211 | 919 | 708 |
| Carbon Capture | 491 | 350 | (141) |
| North London Heat and Power Project | 92 | 154 | 62 |
| Revenue Funding – Capital Programme | 16,323 | 17,273 | 950 |
| | 99,609 | 103,505 | 3,897 |
| **Additional LEL Support** | | | |
| LEL Support | 7,000 | 7,000 | 0 |
| Release of Maintenance Provision | (5,000) | 0 | 5,000 |
| | 2,000 | 7,000 | 5,000 |
| **Reuse and Recycling Centres Expenditure** | | | |
| Residual Waste Disposal | 1,363 | 1,562 | 199 |
| Operating Costs | 5,015 | 5,863 | 848 |
| | 6,378 | 7,425 | 1,047 |
| **Income** | | | |
| Rents | (161) | (167) | (7) |
| Sale of Recyclates | (5,667) | (4,787) | 880 |
| Interest on Balances | (289) | (839) | (550) |
| Miscellaneous Income | 0 | 0 | 0 |
| Extended Producer Responsibility | (6,270) | (13,509) | (7,239) |
| | (12,386) | (19,302) | (6,915) |
| **Net Expenditure** | **95,600** | **98,628** | **3,029** |
| Contingency | 2,912 | 2,973 | 61 |
| **Total Net Expenditure** | **98,512** | **101,601** | **3,089** |
| **Financed By** | | | |
| Use of Balances | (4,440) | (4,632) | (191) |
| Charges to Boroughs (Non-household waste) | (11,067) | (11,662) | (594) |
| Charges to Boroughs (Chargeable Household Waste) | (1,892) | (2,020) | (127) |
| 2024/25 Levy - Base Element | (74,483) | (75,782) | (1,299) |
| - RRC Element | (6,629) | (7,506) | (877) |
| Total Levy | (81,112) | (83,288) | (2,176) |
| **Total Resources Available** | **(98,512)** | **(101,601)** | **(3,089)** |
| **Estimated Additional Revenue Balances at 31 March** | **(0)** | **0** | **0** |

**Table A2 – 2026/27 residual waste tonnage forecast**

| | 2025/26 Forecast Tonnes | 2026/27 Forecast Tonnes | Change Tonnes | Change % |
|---|---|---|---|---|
| Barnet | 104,299 | 97,313 | (6,986) | (6.7%) |
| Camden | 68,856 | 68,637 | (219) | (0.3%) |
| Enfield | 84,980 | 84,750 | (230) | (0.3%) |
| Hackney | 86,358 | 86,660 | 302 | 0.3% |
| Haringey | 69,089 | 69,185 | 96 | 0.1% |
| Islington | 67,993 | 67,483 | (510) | (0.8%) |
| Waltham Fores | 57,396 | 59,764 | 2,368 | 4.1% |
| | **538,971** | **533,792** | **(5,179)** | **(1.0%)** |

**Table A3 – 2026/27 Food waste tonnage forecast**

| | 2025/26 Forecast Tonnes | 2026/27 Forecast Tonnes | Change Tonnes | Change % |
|---|---|---|---|---|
| Barnet | 0 | 8,854 | 8,854 | N/A |
| Camden | 2,984 | 3,013 | 29 | 1.0% |
| Enfield | 6,665 | 6,732 | 67 | 1.0% |
| Hackney | 4,351 | 4,414 | 63 | 1.4% |
| Haringey | 3,877 | 3,917 | 40 | 1.0% |
| Islington | 2,751 | 2,979 | 228 | 8.3% |
| Waltham Fores | 7,103 | 7,100 | (3) | (0.0%) |
| | **27,731** | **37,009** | **9,278** | **33.5%** |

**Table A4 – 2026/27 Garden waste tonnage forecast**

| | 2025/26 Forecast Tonnes | 2026/27 Forecast Tonnes | Change Tonnes | Change % |
|---|---|---|---|---|
| Barnet | 9,502 | 11,058 | 1,556 | 16.4% |
| Camden | 1,735 | 1,775 | 40 | 2.3% |
| Enfield | 5,782 | 6,550 | 768 | 13.3% |
| Hackney | 1,397 | 1,423 | 26 | 1.9% |
| Haringey | 2,586 | 2,651 | 65 | 2.5% |
| Islington | 1,323 | 1,460 | 137 | 10.4% |
| Waltham Fores | 6,962 | 7,160 | 198 | 2.8% |
| | **29,287** | **32,077** | **2,790** | **9.5%** |

**Table A5 – 2026/27 MDR tonnage forecast**

| | 2025/26 Forecast Tonnes | 2026/27 Forecast Tonnes | Change Tonnes | Change % |
|---|---|---|---|---|
| Barnet | 24,769 | 24,864 | 95 | 0.4% |
| Camden | 15,805 | 15,788 | (17) | (0.1%) |
| Enfield | 18,475 | 18,660 | 185 | 1.0% |
| Hackney | 16,946 | 16,934 | (12) | (0.1%) |
| Haringey | 16,450 | 16,458 | 8 | 0.0% |
| Islington | 14,420 | 14,598 | 178 | 1.2% |
| Waltham Fores | 19,618 | 19,674 | 56 | 0.3% |
| | **126,483** | **126,976** | **493** | **0.4%** |

**Table A6 - RRC Levy**

The amounts charged to the relevant boroughs through the 2026/27 levy allow for the balances from the closure of the 2024/25 accounts and forecast additional balances from 2025/26.

| | Forecast RRC Balances at 1 April 2026 £'000 | 2026/27 Estimated costs £'000 | 2026/27 Estimated Levy £'000 |
|---|---|---|---|
| Barnet | 50 | 1,584 | 1,634 |
| Camden | 55 | 849 | 904 |
| Enfield* | 50 | 1,048 | 1,097 |
| Hackney | (1) | 327 | 327 |
| Haringey | (59) | 1,188 | 1,129 |
| Islington | (6) | 979 | 973 |
| Waltham Forest | (8) | 1,450 | 1,442 |
| **Total** | **81** | **7,425** | **7,505** |

**Table A7 - Base Levy**

The amounts charged to the relevant boroughs through the 2026/27 base levy allow for the additional balances that arose from the closure of the 2024/25 accounts and forecast additional balances from 2025/26.

| | Forecast Balances at 1 April 2025 £'000 | 2026/27 Estimated Levy Requirement £'000 | 2026/27 Estimated Levy £'000 |
|---|---|---|---|
| Barnet | (778) | 16,237 | 15,459 |
| Camden | (379) | 8,496 | 8,118 |
| Enfield | (1,010) | 13,874 | 12,864 |
| Hackney | (634) | 10,980 | 10,347 |
| Haringey | (271) | 11,241 | 10,970 |
| Islington | (886) | 8,402 | 7,517 |
| Waltham Forest | (755) | 11,264 | 10,509 |
| **Total** | **(4,712)** | **80,495** | **75,782** |

**Table A8 - Non-household Waste Charges**

The cost to boroughs in 2026/27 is estimated to be:

| | 2026/27 Forecast Tonnes | 2026/27 Forecast Cost £'000 |
|---|---|---|
| Barnet* | 10,920 | 1,402 |
| Camden* | 26,820 | 3,111 |
| Enfield | 7,720 | 991 |
| Hackney* | 22,522 | 2,725 |
| Haringey * | 3,397 | 410 |
| Islington * | 23,281 | 2,698 |
| Waltham Forest* | 4,539 | 324 |
| **Total** | **99,199** | **11,662** |

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

The final charges will be calculated as part of the 2026/27 final accounts process and reported to the Authority in June 2027. Any under or over payment by boroughs will be collected from or repaid to boroughs at the conclusion of the final accounts and audit process.

**Table A9 - Chargeable Household Waste**

The cost to boroughs in 2026/27 is estimated to be:

| | 2026/27 Forecast Tonnes | 2026/27 Forecast Cost £'000 |
|---|---|---|
| Barnet | 2,220 | 285 |
| Camden | 1,057 | 122 |
| Enfield | 1,668 | 214 |
| Hackney | 6,384 | 757 |
| Haringey | 3,060 | 350 |
| Islington | 2,914 | 292 |
| Waltham Forest * | 5 | 0 |
| **Total** | **17,308** | **2,020** |

*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 2027/28 & 2028/29

The table below shows the proposed budget and the budget forecasts for the following two years

| | 2025/26 Budget £'000 | 2026/27 Proposed Budget £'000 | 2027/28 Forecast Budget £'000 | 2028/29 Forecast Budget £'000 |
|---|---|---|---|---|
| **Expenditure** | | | | |
| Main Waste Disposal Contract (ex RRC Waste) | 48,888 | 46,262 | 47,595 | 48,778 |
| Composting Waste Services | 1,696 | 3,546 | 3,635 | 3,726 |
| MRF Services | 14,185 | 14,775 | 15,144 | 15,523 |
| Transfer Station and Other Sites | 10,959 | 11,492 | 13,023 | 13,716 |
| Corporate and Other Support Service Costs | 6,041 | 6,984 | 7,114 | 6,730 |
| Waste Prevention | 723 | 1,750 | 807 | 818 |
| Recycling Initiatives | 211 | 919 | 952 | 201 |
| Carbon Capture | 491 | 350 | 410 | 420 |
| North London Heat and Power Project | 92 | 154 | 157 | 161 |
| Revenue Funding – Capital Programme | 16,323 | 17,273 | 16,920 | 16,330 |
| | 99,609 | 103,505 | 105,759 | 106,403 |
| **Additional LEL Support** | | | | |
| LEL Support | 7,000 | 7,000 | 7,000 | 7,000 |
| Release of Maintenance Provision | (5,000) | 0 | 0 | 0 |
| | 2,000 | 7,000 | 7,000 | 7,000 |
| **Reuse and Recycling Centres Expenditure** | | | | |
| Residual Waste Disposal | 1,363 | 1,562 | 1,601 | 1,641 |
| Operating Costs | 5,015 | 5,863 | 6,235 | 6,391 |
| | 6,378 | 7,425 | 7,836 | 8,032 |
| **Income** | | | | |
| Rents | (161) | (167) | (171) | (176) |
| Sale of Recyclates | (5,667) | (4,787) | (4,907) | (5,029) |
| Interest on Balances | (289) | (839) | (839) | (859) |
| Miscellaneous Income | 0 | 0 | 0 | 0 |
| Extended Producer Responsibility | (6,270) | (13,509) | (7,411) | (7,411) |
| | (12,386) | (19,302) | (13,327) | (13,475) |
| **Net Expenditure** | **95,600** | **98,628** | **107,268** | **107,960** |
| Contingency | 2,912 | 2,973 | 3,145 | 3,159 |
| **Total Net Expenditure** | **98,512** | **101,601** | **110,413** | **111,119** |
| **Financed By** | | | | |
| Use of Balances | (4,440) | (4,632) | 0 | 0 |
| Charges to Boroughs (Non-household waste) | (11,067) | (11,662) | (12,984) | (13,218) |
| Charges to Boroughs (Chargeable Household Waste) | (1,892) | (2,020) | (2,250) | (2,291) |
| 2024/25 Levy - Base Element | (74,483) | (75,782) | (87,343) | (87,577) |
| - RRC Element | (6,629) | (7,506) | (7,836) | (8,032) |
| Total Levy | (81,112) | (83,288) | (95,179) | (95,609) |
| **Total Resources Available** | **(98,512)** | **(101,601)** | **(110,413)** | **(111,119)** |
| **Estimated Additional Revenue Balances at 31 March** | **(0)** | **0** | **(0)** | **(0)** |

Appendix C

# MEDIUM TERM FINANCIAL STRATEGY (MTFS)

2026-29

Updated
January 2026

NORTH
LONDON
WASTE
AUTHORITY

# Table of Contents

# Executive Summary

The North London Waste Authority (NLWA) aims to preserve resources and the environment for future generations through exemplary planning, innovation, and communication in managing north London's waste. There have been significant delays to the Energy Recovery Facility (ERF) which could result in additional costs and reliance on old plant. NLWA is working with Acciona on a revised ERF delivery schedule, supported by strengthened governance and financial controls. This MTFS outlines the financial strategy for the period 2026-2029, aligning with NLWA's strategic goals and addressing key challenges and Opportunities.

We have five organisational goals for the period 2026-2029, which are to deliver waste collection and disposal services, promote the circular economy, deliver excellence in our planning and reporting, support our Members in enabling effective decision-making and secure long-term waste management infrastructure. Our strategic goals align with four key success factors for the organisation - those four key success factors are: achieve Zero Harm, Deliver Services, Manage NLHPP, and Protect and Enhance Reputation.

## Key initiatives include:

Ensuring secure waste disposal facilities for optimal environmental outcomes and value for taxpayers.

Setting long term goals in which align with the Joint Waste Strategy.

Providing effective support to Members for informed decision-making and a constructive advisory role.

Campaigning for national and London-wide measures to promote the circular economy.

Managing the NLHPP to deliver a waste management facility in which local communities take pride, which demonstrates value.

Implementing a world-class waste prevention program to provide reuse and repair opportunities, enable behaviour change and support residents to deliver change in their communities.

# Missions and Values

**Mission**

"To preserve resources and the environment for future generations by exemplary planning, innovation, and communication in managing north London's waste."

## Organisational Goals

- **Circular Economy, Influencing Waste Arisings**
- **Service Delivery, Managing Waste Disposal**
- **Securing Long-Term Waste Management Services**
- **Supporting Members and Effective Decision Making**
- **Corporate Excellence**
  Success factors 1,2,3 and 4

## Our Values

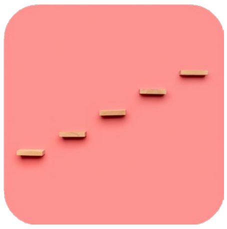
### Safety

Protecting health, safety, and wellbeing

### Accountability

Being responsible

### Ambition



Striving for continuous improvement

### Inclusivity

Fostering positive relationships with partners

### Integrity

Promoting transparency and respect

# Objectives of the MTFS

The main objectives of the MTFS are:


**Prioritise Resources**: Align financial resources with NLWA's strategic goals to achieve long-term objectives, such as waste reduction, environmental sustainability, and community engagement.

**Maintain Financial Stability:** Ensure a balanced budget position for the next financial year and create a sustainable MTFS that strengthens NLWA's financial position over time.

**Support Decision-Making:** Provide a robust framework for financial decision-making, exercising probity, prudence, and strong financial control.

**Deliver Value for Money:** Ensure efficient use of resources and deliver value for money to residents through effective financial management and cost-saving initiatives.

**Manage Risks:** Maintain financial reserves and balances at an appropriate level to manage risks and uncertainties, including operational failures and funding changes.

**Review Budgets:** Continuously review budgets to ensure resources are targeted at key priorities and adapt to changing economic conditions.

# National Financial Context

**Economic Growth:** The Office for Budget Responsibility (OBR) indicate UK real GDP growth of between 1.5%-2.0% in 2025, easing to between 1.1%-1.8% in 2026, then settling around 1.5% in 2027. Medium-term projections point to 1.5% in 2028 and 1.6% in 2029, reflecting a modest, steady path as inflation normalises and workforce capacity continues to exceed demand.


**Public Sector Borrowing and Debt:** Public sector net borrowing is forecast to be 4.5% of GDP in 2025/26, with borrowing expected to decline steadily across 2026/27 to 2028/29 as part of a multi-year downward trajectory. The OBR's November 2025 forecast indicates a progressive downward path through the late 2020s, with borrowing projected to fall to 1.9% of GDP by 2030/31. Higher interest rates continue to increase the cost of servicing government debt, placing sustained pressure on the public finances.

**Inflation and Monetary Policy:** The Consumer Price Index (CPI) inflation was 3.2% (Nov 2025) and is expected to decline toward target of around 2.1% by late 2026, then hover around 2.1% in 2028, reaching 2.0% by 2029 under OBR's medium-term profile. The Bank of England aims to bring inflation down to its target of 2% by around Q2 2027 following a gradual disinflation path driven by easing price and wage pressures.

**Government Spending:** The Spending Review 2025 sets out a period of constrained but positive growth in departmental budgets. Between 2025/26 and 2028/29, total departmental spending is expected to rise by an average of around 1.5% per year in real terms, reflecting continued fiscal discipline. Capital investment receives a stronger uplift, with capital Departmental Expenditure Limits (DEL) projected to grow by approximately 1.8% annually over this period, supporting infrastructure, housing, and innovation programmes.

# Strategic Framework and Financial Planning Context (2025/26–2028/29)

In a period of economic uncertainty and fiscal constraint, effective financial management remains critical. This MTFS provides a comprehensive overview of NLWA's financial position, balancing the financial implications of objectives and policies against resource constraints. It serves as a living document, forming the basis of fiscal strategy and decision-making. NLWA’s priorities for the planning period focus on delivering the North London Heat and Power Programme (NLHPP) and managing the transition from the existing Energy from Waste (EfW) facility to the new Energy Recovery Facility (ERF).

The implementation of the North London Joint Waste Strategy (NLJWS), approved in June 2025, strengthens waste prevention and recycling targets, with key activities delivered through contracts with London Energy Ltd (LEL) and Biffa.

In addition, NLWA must ensure compliance with emerging government waste reforms, including Extended Producer Responsibility (EPR) and Deposit Return Schemes (DRS), which are expected to influence waste flows and funding arrangements. In addition, compliance with the UK Emissions Trading Scheme (ETS) will add carbon cost considerations to NLWA’s financial planning.

A unique position for NLWA is to have most of its operations conducted by London Energy, the organisation’s wholly owned subsidiary. A benefit of this arrangement is that our costs are far below those of most local authorities. LEL has two key revenue drivers, one from NLWA and one from electricity income.

Factors that impact LEL’s costs include outage seasons, electricity unit prices with respect to LEL’s Electricity Hedging Strategy and gas volume. Another intentional action that has been put in place is for LEL to undergo a short-term capital programme until NLWA delivers the North London Heat & Power Programme (NLHPP) fully.

The Biffa recycling contract remains the second-largest operational agreement, generating income from material sales. A benefit to this contract is the inclusion of a wide range of materials and Biffa’s higher rejection thresholds.

Factors that impact this contract include the volume of recycling and the level of contamination, where the latter leads to a higher charge. Other costs include operating waste prevention facilities, corporate costs and financing costs that pay for the borrowings on the capital for the NLHPP and minimum revenue provision build-up.

# Strategic Framework and Financial Planning Context (2025/26–2028/29)

NLWA's financial planning over the period 2025/26 to 2028/29 must account for several key factors. At the time of writing, inflation is forecast to ease toward 2% by the end of the period, but most contracts remain CPI-linked with some RPI exposure, meaning cost pressures will persist in the short term. Interest rate volatility will continue to influence borrowing costs, particularly given the significant financing required for the North London Heat and Power Programme (NLHPP) and the associated build-up of Minimum Revenue Provision (MRP).

NLWA faces risks including cost overruns or delays in the North London Heat and Power Programme (NLHPP), potential failure of the existing Energy from Waste (EfW) plant before the new Energy Recovery Facility (ERF) is operational, unplanned outages at operational sites due to infrastructure failures, and uncertainty over future government funding for waste infrastructure. Market volatility in recycling commodity prices and energy costs adds further pressure.

To mitigate these risks, NLWA will maintain strong project governance, contingency planning, and active monitoring of market and policy changes. At the same time, opportunities exist to leverage housing and infrastructure investment and advance circular economy initiatives that support waste reduction and resource efficiency. In addition, NLWA has adopted long-term levy modelling to improve financial resilience and give boroughs a clearer understanding of projected levy requirements over the medium to long term.

Circular economy initiatives have been agreed to take forward goals of the Joint Waste Strategy, towards a Low Waste North London with a four-year commitment to continue to evolve and take forward the North London Community. Progress will be periodically reported to enable the impact of initiatives to be reviewed.

# Financial Risks and Mitigations

**Failure of NLHPP Supply Chain**

**Risk:** Due to contractor failure to engage suppliers or economic and political climate, there is a risk of not meeting contractual goals, resulting in cost impacts, delays, and friction between teams.

**Mitigation:** Officers monitor our contractual supply chain including assessing costs and monitoring supplier performance. More stringent project and cost management of NLHPP has been implemented from mid 2025 to oversee and monitor project costs and ensure timely supplier payments.

**Insufficient Contingency for Project Exposure**

**Risk:** Cost escalations may exceed allocated contingency, impacting borough levies.

**Mitigation:** Individual project cost management actions combine to reduce the impact at programme level. The continuous monitoring and reporting of exposure against contingency informs early decision-making. Monthly cost reporting and a greater integration of NLWA and NLHPP financial teams allow for enhanced scrutiny.

**Significant Delays to ERF Delivery**

**Risk:** Delays could result in additional costs and reliance on old plant.

**Mitigation:** NLWA are working with Acciona to agree a new delivery schedule, supported by enhanced project and financial controls, tighter performance monitoring, and regular joint steering meetings to ensure accountability and mitigate further delays.

**Litigious Contractor Relationship**

**Risk:** Adverse cost issue due to disputes with contractors could distract from NLHPP construction and management.

**Mitigation:** NLWA is maintaining collaborative contractor relations while proactively managing disputes through early intervention and specialist legal support. Enhanced governance and communication measures are in place to prevent escalation and keep the programme on track.

**Operational Failure of Existing EfW Plant**

**Risk:** Major operational failure could significantly compromise the Authority's capacity to manage waste and require new disposal routes.

**Mitigation:** Business continuity insurance is in place and funding for resilience priorities is based on a comprehensive condition analysis report and planning. Recommendations for an updated Capital Investment Programme will be drafted for approval by NLWA later this year.

**Not proactively managing financial macroeconomic factors**

**Risk:** External macroeconomic pressures including volatility in recyclate prices, electricity markets, inflation, interest rates and off-site disposal costs could increase financial pressures if not managed proactively.

**Mitigation:** NLWA undertakes regular and proactive monitoring of key financial and commodity markets, supported by structured engagement with relevant financial institutions, energy providers, and waste and recyclate market experts. Routine internal reviews of disposal costs provide further assurance and early visibility of emerging cost trends.

**Unplanned Operational Outage**

**Risk:** Unplanned outage at operational sites due to infrastructure failure could result in temporary loss of processing capacity, requiring alternative disposal routes and creating material cost pressures.

**Mitigation:** Contingency measures are in place to maintain service continuity through alternative processing routes while technical recovery plans progress. Governance and cost controls have been strengthened to manage exposure and preserve options for contractual and insurance remedies.

Here are some of the key examples of how some of the financial risks could materialise in NLWA.

**Budget Overruns in NLHPP**

The NLHPP has experienced delays and cost overruns due to contractor performance and supply chain issues. Mitigation strategies include regular monitoring of project costs, deep-dive audits, and contingency planning.

**Government Funding Uncertainties**

Changes in government funding allocations and new regulatory requirements pose significant risks. NLWA engages with government bodies to stay informed and influence policy and maintains a robust public affairs strategy.

**Fluctuations in Recycling Commodity Prices**

Volatility in recycling commodity prices can impact revenue. NLWA mitigates this risk by diversifying income sources and maintaining flexible contracts with suppliers.

**Insurance Market Challenges**

Unavailable or unaffordable market insurance could lead to unplanned costs. NLWA monitors insurance cover levels and develops a refreshed insurance strategy.

**Operational Failures**

The existing EfW plant's operational failures could lead to significant disposal costs. NLWA has business continuity insurance and a comprehensive maintenance plan to mitigate this risk.

# Capital Investment Approach

### Asset Management

NLWA will maximise the value of its assets through rationalisation and improved returns. The capital investment will align new investment requirements with existing assets to determine the optimal investment plan. To ensure robust governance, NLWA has established an Asset Management Steering Committee (AMSC) to oversee and guide asset management strategy and practices.

### Technology

From a digital perspective, technology plays a critical role in enhancing asset management and capital investment decisions. LEL leverages Microsoft Dynamics 365 (D365) to manage operations at EcoPark South (EPS), ensuring real-time visibility and efficient resource allocation. Furthermore, the Joint Digital Strategy underpins EPS activities, enabling data-driven insights that inform long-term investment planning. NLWA has also formed a Digital, Data and Technology (DDAT) Steering Group to align digital initiatives with asset management objectives, ensuring that capital investments are supported by modern, integrated systems for improved performance and lifecycle management.

### Maintenance Reserve Policy

Members approved a maintenance reserve policy in February 2024. The policy allows for NLWA to build a maintenance reserve to keep the existing plant operational and to plan for maintenance costs around the future new plant.

### Infrastructure Projects

Key projects include the development and commissioning of the new energy recovery facility (ERF) and securing waste infrastructure in the west of the area and Reuse and Recycling Centre (RRC) developments.


# Operational Excellence

### Service Delivery and Operational Excellence

**Waste Management Services:** NLWA will deliver waste services, promote the circular economy, and manage the North London Heat and Power Project (NLHPP).

**Community Engagement:** Initiatives include community outreach, behaviour influencing, and managing the Community Fund to achieve waste and social objectives.

### Governance and Risk Management


**Governance Framework:** NLWA will enhance governance across its business operations, ensuring integration with long-term operating and management plans for assets. The internal governance extends to LEL.


**Risk Register:** A comprehensive risk register will be maintained, addressing challenges such as contractor relationships, health and safety, and legislative uncertainties.

### Financial Forecasting and Reporting


**Forecasting Methods:** NLWA will use detailed econometric and financial forecasting models to present a view of the future. Regular monitoring and updates will ensure the strategy remains relevant and effective.

**Reporting:** Financial performance and asset digitisation will be reported effectively, enabling informed decision-making and transparency.

# MTF Strategy Components

**Financial Position and Sustainability**

**Budget Overview:** The approved budget for 2025/26 is £99m, with a forecast increase to £102m in 2026/27 and £110m in 2027/28 and £111m 2028/29 (based on Quarter 4 forecast of 2025/26).

**Funding Sources:** Funding will come from balances of £4m for 2025/26 and £5m for 2026/27, non-household waste charges of £11m for 2025/26 and £12m for 2026/27, household waste charges of £2m for both 2025/26 and 2026/27, and a levy of £81m for 2025/26 and £83m for 2026/27. The levy will effectively reduce by 2.7% for 2026/27 due to additional income from the packing Extended Producer Responsibility Funding (pEPR).

London Energy Contract

e.g. Waste volumes, electricity market, outage periods, plant maintenance, corporate and transition costs

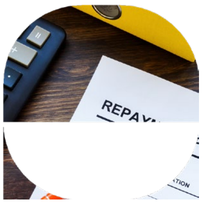
Biffa Recycling Contract

e.g. Volume of recycling, contamination rates

Waste Prevention Activity

e.g. community fund development, EcoPark House maintenance

National Regulation Impacts



e.g. repayment of borrowings

Capital Programme
Minimum Revenue Provision

e.g. Extended Producer Responsibility, Emissions Trading Scheme, Separate Food Waste collections

Corporate Costs

e.g. staffing, shared service agreements

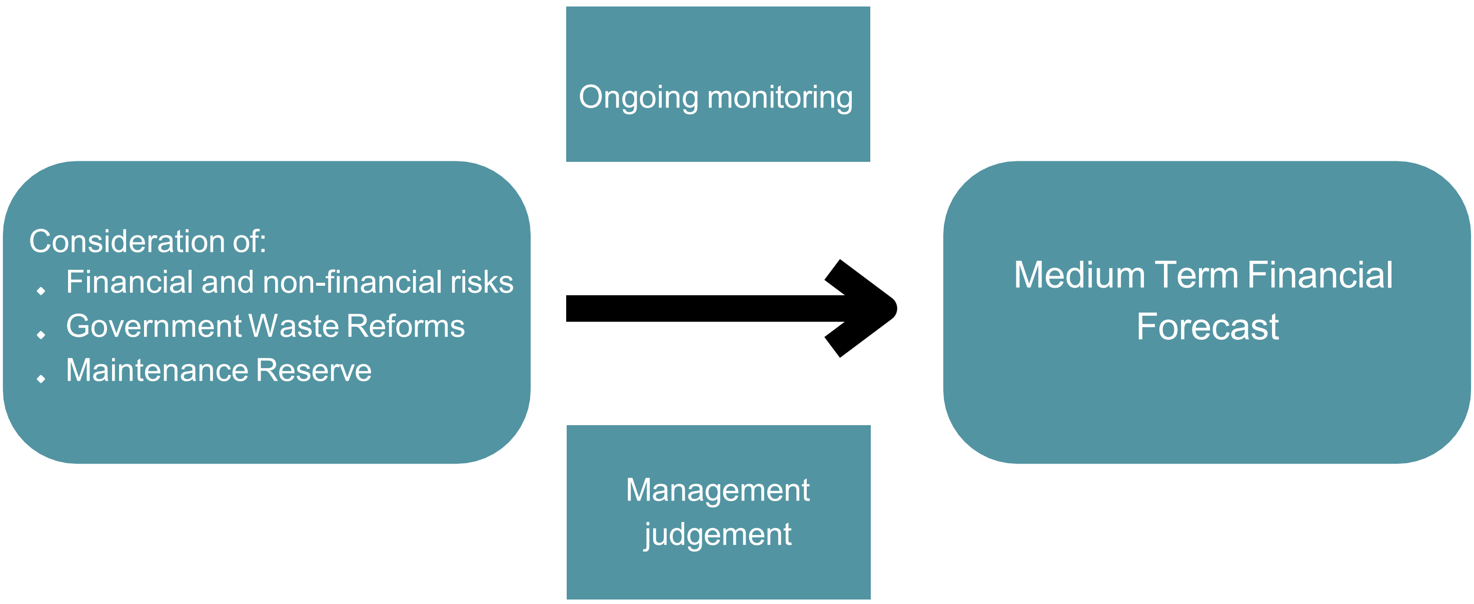
**Medium-Term Forecast**
The forecast for each year is what we carefully consider, in consultation with the boroughs, is the requirement to deliver excellent services, support a reduction in waste, manage risk and provide resilience.

As at Quarter 4, the forecast shows a net expenditure increase to £102m in 2026/27, £110m in 2027/28 and £111m in 2028/29, with assumptions that there will be a nil balance expected at the end of 2026/27.

**Update Frequency**
The Medium Term Financial Plan will be updated quarterly / bi-annually with updated assumptions.

# Context and Approach to the Medium Term Forecast

As part of the early development of the Medium Term Financial Strategy (MTFS), the Authority has undertaken a review of risks and opportunities not currently reflected in the existing medium-term forecast. This process ensures that the underlying assumptions in both documents remain robust and that any potential factors influencing our financial outlook are clearly identified and transparently assessed.



## Budget Background

The budget and Medium Term Financial Strategy (MTFS) are to be approved by the Authority in February 2026. They are underpinned by a series of key financial and operational assumptions. These included, but are not limited to:

- Inflation: Assumed in line with Treasury forecasts for the first two years, followed by alignment with Government target rates thereafter.
- Extended Producer Responsibility (EPR): Incorporated known first-year costs, with expectations of reduced funding in subsequent years.
- Processing Capacity at Edmonton: Forecast to decline by 1% annually, reflecting operational constraints.
- Recyclate Market Prices: Assumed to remain stable over the medium term.
- Interest on Cash Balances: Projected to decline gradually in line with market expectations.

## Maintenance Reserve

In 2024, the Authority approved the establishment of a dedicated Maintenance Reserve. This reserve was designed to manage future maintenance requirements, reduce volatility in levy contributions, and mitigate medium-term risks associated with LondonEnergy Ltd (LEL).

The Authority's policy on Extended Producer Responsibility (pEPR) permits a portion of EPR-related funding to be allocated to the Maintenance Reserve. This mechanism is intended to smooth future increases in net expenditure, with a target of limiting annual growth to no more than 5%.

For 2026/27, the budget was set to remain within this 5% threshold. To achieve this, a portion of the Maintenance Reserve may be drawn down if required. In 2026/27, we will revise our financing strategy which includes development of the maintenance reserve that will cover future years.

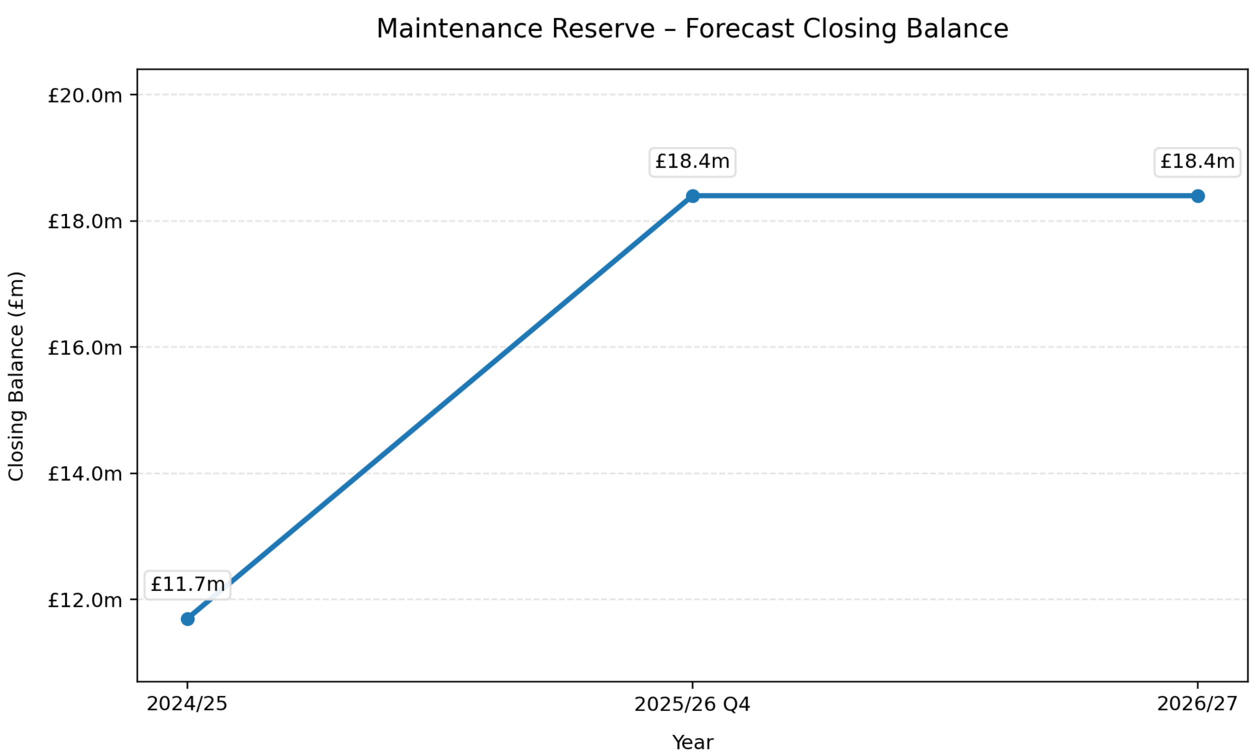
Refer to the table on the following page for more detail.

The opening balance and forecast movements of the Maintenance Reserve are as follows:

| | 2024/25 Actual £m | 2025/26 Q4 £m | 2026/27 £m |
|---|---|---|---|
| Opening Balance | 3.8 | 11.7 | 18.4 |
| NLHPP Interest on cash balance | 7.9 | 3.8 | - |
| pEPR funding | - | 8.2 | - |
| LEL Support | - | (5.0) | - |
| Circular economy initiatives | | (0.4) | - |
| Closing Balance | 11.7 | 18.4 | 18.4 |

Note: For FY26/27 the circular economy initiatives are being funded from EPR therefore there is no impact on the reserve.

As a result, the forecast balance of the Maintenance Reserve by the end of March 2027 is projected to be £18.4 million.

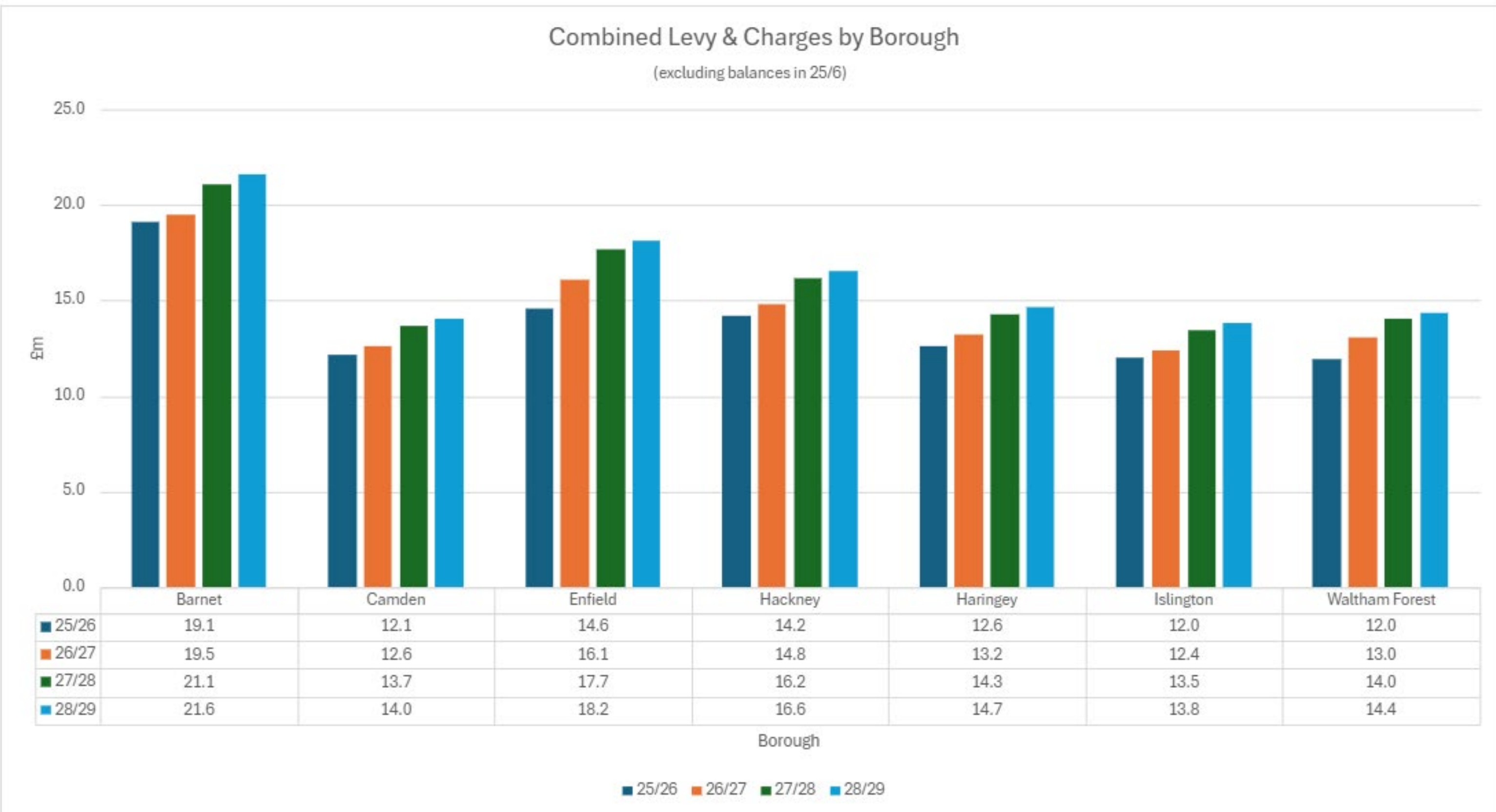


# Medium Term Forecast

When added to the net expenditure to be reported to the Authority in February 2026, the range of net expenditure is as follows:

| | 25/26 | 26/27 | 27/28 | 28/29 |
|---|---|---|---|---|
| **Current Medium Term Forecast (Net Expenditure)** | -99 | -102 | -110 | -111 |
| **Category** | **NET THREAT (-)/OPPORTUNITY (+) RANGE (£m)** | | | |
| **Waste Reform** | 0 to 0 | 0 to 0 | -28 to 0 | -29 to 0 |
| **LEL** | 0 to 0 | -8 to 10 | -9 to 12 | -13 to 15 |
| **Finance & Resources** | 0 to 0 | -2 to 5 | -2 to 2 | -2 to 2 |
| **NLHPP** | 0 to 0 | 0 to 0 | -1 to 1 | -1 to 1 |
| **Biffa** | 0 to 0 | -1 to 1 | -1 to 1 | -1 to 1 |
| **RRCs** | 0 to 0 | 0 to 0 | 0 to 0 | 0 to 0 |
| **Total** | 0 to 0 | -11 to 16 | -41 to 16 | -46 to 19 |
| **LEL P&L** | 0 | -7 | -6 | -6 |
| **Medium Term Forecast (Net Expenditure) including T&O** | -99 to -99 | -120 to -77 | -157 to -84 | -163 to -79 |

### Combined Levy & Charges by Borough




*Based on 2025/26 Q4 tonnage forecast numbers*

## Overall Outlook

While a degree of variability is inevitable given the uncertain operating environment, there are several specific factors that could significantly influence our Medium Term Financial Forecasts.

In 2026/27, the most substantial source of both financial risk and opportunity is associated with LondonEnergy Ltd (LEL). This is primarily due to the ongoing challenge of maintaining the 55-year-old existing plant, which is operating well beyond its expected economic life. This pressure is expected to persist throughout the medium-term period, largely due to delays in the delivery of the new Energy Recovery Facility (ERF) under the North London Heat and Power Project (NLHPP).

From 2027/28 onwards, the most prominent emerging risk is the Government's proposed inclusion of local authority emissions within the Emissions Trading Scheme (ETS). The Government is currently engaging with European partners on carbon taxation and broader local government reforms. The financial implications of these developments are significant, with potential cost pressures of over £25 million per annum, depending on the outcome of these negotiations and policy decisions.

Importantly, the Minimum Revenue Provision (MRP) for the new ERF will not need to be built up during the current medium-term period due to the delays in the facility's delivery. MRP contributions will commence one year after the ERF becomes operational.

### Waste Reforms

Although largely unavoidable, the financial impact of waste reforms will depend on three key factors:

- Whether the Government proceeds with implementation
- The final design of the schemes
- The ability of local authorities to meet any associated compliance requirements

The most significant of these reforms is the Emissions Trading Scheme, which is being closely monitored. Subject to further Government announcements and due to the uncertainty, this will be incorporated into the MTFS within the next update .

Extended Producer Responsibility (EPR) has been incorporated into the 2026/27 budget and the Medium-Term Financial Strategy. The EPR allocated is £13.5 million for 2026/27. While 2025 marked the first year of actual EPR payments from Government, the scale of future funding remains uncertain and will depend on waste tonnage data expected later in the calendar year.

**LondonEnergy Ltd (LEL)**
Several risks have been identified in relation to LEL, including:
- Volatility in electricity prices (estimated at ±£10 per megawatt hour),
- The challenge of maintaining current waste treatment throughput levels,
- The operational complexity and cost of running two facilities concurrently during the transition period,
- Rising insurance premiums due to the aging infrastructure, and
- Financial implications of exiting the defined benefit pension scheme.

To mitigate these risks, the Authority has allocated £7 million annually within the MTFS to support ongoing maintenance of the existing plant. This figure is based on a detailed condition survey and is intended to ensure the plant remains operational until the new ERF is commissioned. This figure will be reviewed as part of the LEL budget for 2027.

**Finance & Resources**
This category includes risks related to macroeconomic assumptions embedded in the MTFS:
- A 1% deviation in inflation from Government targets could materially impact forecasts.
- Interest rates are assumed to decline gradually; however, if rates remain elevated for longer, this could present an opportunity for increased interest income.
- To support organisational resilience, a ± £1 million variation in cost assumptions has been included.

**North London Heat and Power Project (NLHPP)**
The MTFS captures potential changes in operational costs, including opportunities to insource certain project roles. While some of these costs may be capitalised, not all internal staffing costs qualify. It is important to note that capital cost risks—such as changes in Public Works Loan Board (PWLB) rates affecting future borrowing—are not included in this analysis.

**Biffa – Recyclate Market**
The market for recyclates has historically been volatile, with prices ranging from £20 to £95 per tonne over the past five years. This introduces both upside and downside risk relative to budgeted assumptions.

**Reuse and Recycling Centres (RRC)**
A review of RRCs is ongoing and the opportunities are being quantified for operational or financial improvement. However, no definitive outcomes have been established at this stage and a further update will be provided in the next MTFS update.

**Next steps**
All risks, policy developments, and other influencing factors will continue to be closely monitored. As these items become more certain or materialise, they will be incorporated into future updates of the Medium Term Financial Strategy.

# Conclusion

The Medium-Term Financial Strategy (MTFS) 2026 - 2029 provides a clear and forward-looking financial framework that supports NLWA's commitment to sustainability, operational efficiency, and sound financial management. It ensures strong alignment between strategic priorities and financial planning, enabling the Authority to remain resilient in a changing economic and regulatory environment.

Through prudent budgeting, risk management, and targeted investment - particularly in the North London Heat and Power Project and other essential infrastructure - the MTFS positions NLWA to deliver long-term value for its constituent boroughs. The Authority will continue to respond proactively to external pressures such as inflation, regulatory change, and market volatility, while leveraging opportunities in waste reduction, recycling, and energy recovery.

As a dynamic and evolving document, the MTFS will be reviewed regularly to reflect emerging trends and policy developments, ensuring that financial planning remains agile, robust, and aligned with NLWA's strategic objectives.