

ITEM 3**PAPER NO: WRWA 723**

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	28 th November 2012
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 871 8300) 20 th November 2012
SUBJECT	The budget forecast for 2012/13 and the prospects for Apportionment of Waste Disposal Costs (AWDC) rates and the Levy are provided through to 2016/17.
CONTENTS	Page 1 Executive Summary Page 1 Background Page 1 Experience in 2012/13 Page 3 Apportionment of Waste Disposal Costs (AWDC) Rates Page 3 The Levy Page 4 Contract Costs and Other Significant Cost Factors Page 5 AWDC Current and Predicted Rates Page 6 Summary of Costs to Constituent Councils Page 7 Recommendation Page 8 Appendix A – Tonnage Data Page 10 Appendix B - Financial Summary and Methodology
STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	None.

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BUDGET FORECAST 2012/13 -2016/17

EXECUTIVE SUMMARY

BACKGROUND

1. The budget forecast compares the original budget of the Authority for 2012/13 with the revised budget for the year and provides Levy and “Apportionment of Waste Disposal Costs” (AWDC) rates prospects for 2013/14 to 2016/17.
2. The Authority’s costs and Levy requirements are driven by the weight and composition of waste collected by constituent councils and their relative tax bases. The Authority is experiencing a reduction in co-mingled recycling tonnages of 5% compared to 2011/12 whilst general waste is broadly similar to that managed by the Authority in 2011/12. The tonnage of waste managed by the Authority for the constituent councils for the period from 2003/04, with predictions to 2013/14, is shown at Appendix A.
3. The Authority’s chief sources of income are AWDC rates charged to constituent councils for the disposal of waste and the residual Levy upon those councils. The AWDC agreement does not distinguish between household and commercial tonnages. Waste delivered by constituent councils is subject to specified rates per tonne to reflect the estimated cost to the Authority of the individual waste stream in the year of account.
4. The residual Levy is comprised of costs which are not allocated to the individual waste streams and include the cost of Civic Amenity waste and Authority overheads and these costs are apportioned among constituent councils on the basis of their council tax-bases.

EXPERIENCE IN 2012/13

5. The General Fund Balance at 31st March 2012 was estimated to amount to £7.746 million at the time the budget was approved in February 2012. Of this estimated balance, it was agreed to apply £2.371m to abate the Levy in 2012/13 and £1.375m to abate AWDC rates, leaving an estimated General Fund Balance of £4.0m. The General Fund Balance in the final audited accounts for 2011/12 as at 31st March 2012 was £7.274 million, which was £0.472 million lower than forecast when the budget was approved in February 2012. As a result, the budgeted use of the balance to abate the Levy and AWDC rates in 2012/13 would leave a planned General Fund Balance of £3.528m at 31st March 2013.
6. The original budget for AWDC rates income for 2012/13 and the Annual Levy for each borough is shown below:-

	AWDC Rates £'000	Annual Levy £'000	Total £'000
Hammersmith & Fulham	9,111	809	9,920
Kensington & Chelsea	9,413	1,007	10,420
Lambeth	14,295	1,097	15,392
Wandsworth	12,111	1,297	13,408
Total	44,930	4,210	49,140

7. The Financial Summary with a description of the financial methodology is shown at Appendix B. The revised forecast gross budget for 2012/13 amounts to £54.510 million against the original budget of £53.031 million.
8. The increased expenditure of £1.479 million is mainly a result of additional costs at the MRF due to higher contamination tonnage than expected. The additional cost of diverting contamination to the EfW facility, results in an estimated increase in contract costs of around £1.2 million above the original estimate for co-mingled recycling. There are also additional costs following the completion of the MRF in that the Authority is now required to set aside a Minimum Revenue Provision for the capital cost of the MRF of £922,000 in 2012/13. These increases have been partly offset by lower than anticipated inflationary uplifts on contract unit rates for 2012/13, the uncertainty of which is outlined in paragraph 13 below.
9. The revised net budget of £9.224 million compares to the original net budget of £7.956 million. At the September Authority meeting, it was agreed that the position regarding the additional costs of the contamination at the MRF would be reviewed in this Paper. It was proposed that, subject to the review in this budget forecast paper, from 1st January 2013 the co-mingled rate would be reduced by £9.00 per tonne to £68.50 per tonne, but that each constituent council would be charged for its own rate of contamination at the rate of £1.36 per percentage point per tonne. If this change is not implemented from January 2013, the Authority will need to use £5.014 million of the General Fund balance brought forward at 1st April 2012 to fund the budgeted deficit. However, by implementing this change, the Boroughs will face additional costs of approximately £394,000 in 2012/13 which will then form part of the Authority's General Fund balance at levy setting time. This will increase the predicted General Fund Balance at the 31st March 2013 by £394,000 to an estimated £2.654 million.
10. In 2012/13, I recommended that the General Fund Balance be held at £4.0 million to provide against the risk of volatile electricity prices at the EfW facility, increasing interest rates on PWLB loans and uncertainties ahead. This risk has reduced slightly as the new EfW and MRF have bedded in, but in particular Electricity prices are still potentially volatile and to protect against this, it is proposed to recommend the Authority to agree a General Fund balance of between £2.5 and £3.0 million in February 2013 - a significantly lower level than for the current year.

AWDC RATES

11. Assuming that the Authority agrees to enforce the changes to the rate for co-mingled tonnage outlined in paragraph 9 and based on actual tonnage of waste processed since April 2012 with an assessment of trends, original estimates of AWDC rates income for 2012/13 are compared with revised estimates below:

	Original Estimate £'000	Revised Estimate £'000	Variance £'000
Hammersmith & Fulham	9,111	9,106	-5
Kensington & Chelsea	9,413	9,561	+148
Lambeth	14,295	14,510	+215
Wandsworth	12,111	12,309	+198
Total	44,930	45,485	+555

However, if the Authority is asked to absorb the additional costs for the remaining three months of the year, the revised estimates are as follows:

	Original Estimate £'000	Revised Estimate £'000	Variance £'000
Hammersmith & Fulham	9,111	9,028	-83
Kensington & Chelsea	9,413	9,473	+60
Lambeth	14,295	14,407	+112
Wandsworth	12,111	12,183	+72
Total	44,930	45,091	+161

THE LEVY

12. Civic Amenity waste and Authority overheads are apportioned among constituent councils on the basis of their council tax-bases, through the Levy. Capital financing costs for the MRF have been charged to the AWDC rates since 2011/12 when all recycling was predicted to be directed through the plant. The revised expenditure budget for Civic Amenity waste has been affected by a decrease in the tonnage of waste managed as well as lower than anticipated inflationary uplifts on contract unit rates for 2012/13. However, the opening of the new CA site will generate increased Business Rates for the site, an estimate of which is now reflected in the Financial Summary at Appendix B.

CONTRACT COSTS AND OTHER SIGNIFICANT COST FACTORS 2013/14 ONWARDS

13. Contract costs. Cory contract rates are indexed annually to December prices, which are not finalised in some cases until April of the following year, so a degree of uncertainty remains at the time of this forecast. Cost per tonne differences are adjusted in the following financial year. Indexation involves a complex matching of rates to activities as defined in the contract documents. In the revised WMSA, the Authority has negotiated that indexation on the EfW cost per tonne is geared 85% to RPIX (All Items Retail Prices Index excluding Mortgage Interest Payments), which should serve to moderate annual fluctuations in indexation. The general waste rate currently makes a number of assumptions about the price of electricity during the forthcoming year and assumes a level of contingency underspend as a result of the EfW project which feeds back through the unit rates favourably for the Authority. Such assumptions are the best available at this time and are yet to be finalised.
14. Belvedere EfW. Forecast predictions outlined in this paper assume that all residual waste will be combusted at the plant. As a result landfill tax at £64 per tonne from 1st April 2012 is not incurred by the Authority.
15. MRF. The MRF ceased commissioning in April 2011 but Cory are continuing to work through design and engineering problems. The Authority is responsible for funding 80% of the capital expenditure on the MRF. These finance costs will be balanced by compensating savings now that the MRF is operational and capital financing costs are now recharged on a cost per tonne basis on throughput at the MRF. The finance costs of proposed additional works up to the value of £880,000 have been included in the Financial Summary. The revenue costs of these works would be more than self-financing to the boroughs.
16. CA Site. The new CA site was formally opened on 10th September 2012. Capital expenditure was funded from balances in 2011/12 so there are no ongoing capital financing costs within the forecast.
17. Waste minimisation initiatives. The separate paper to this Authority meeting proposes a budget of £213,000 for the Recycle Western Riverside 3 (RWR3) campaign. This includes £30,000 of new salary budgets which have been incorporated within Employee costs from 2013/14. The remaining provisions are included in Administration and General budgets.
18. LATS (Landfill Allowances and Trading Scheme) The Authority had a LATS surplus in 2011/12 but was not able to find a buyer for these allowances. Therefore no income has been built into the Authority's Forecast for future income generated from the sale of any future surplus.

AWDC CURRENT AND PREDICTED RATES

19. The Authority approved a scale of rates for all managed waste streams for 2012/13. The contract rates for 2012/13 and predictions for 2013/14 to 2016/17 are detailed below. This table only outlines the contracted element of the AWDC rates. Where applicable the current variable market adjustments to these rates are outlined in the table in paragraph 20. The variable element can be subject to significant market volatility and constituent councils are recommended to make their own assumptions regarding the future likelihood of these costs.

Waste Type	Contract Rates per Tonne					
	Current 2012/13	Proposed 2013/14	Predicted 2013/14 as at Feb 2012	Predicted 2014/15	Predicted 2015/16	Predicted 2016/17
	£	£	£	£	£	£
General waste	136.00	145.00	145.86	150.08	155.33	160.76
Co-mingled recyclables	77.50*	68.50	80.21	70.90	73.38	75.95
Green waste	60.00	60.60	63.01	63.63	66.77	70.01
Batteries	51.00	52.50	53.82	54.34	56.24	58.21
Clinical	685.00	710.00	708.98	734.85	760.57	787.19
Detritus	67.50	90.00	69.86	98.33	101.77	105.33
Electricals	48.00	48.50	49.68	50.20	50.88	52.66
Fridges	42.50	43.00	43.99	44.51	46.06	47.61
Gas Bottles	110.50	114.00	114.37	117.99	122.12	126.39
Glass	29.00	29.00	29.95	29.95	30.92	31.94
Oil/Paint	112.50	113.00	116.44	116.96	121.05	125.29
Paper	25.50	25.50	25.16	26.39	27.32	28.27
Scrap Metal	48.00	48.50	44.11	50.20	51.95	53.77
Textiles	18.50	19.00	18.50	19.66	20.35	21.07
Tyres	233.50	245.00	241.67	253.58	262.45	271.64
Wood	45.50	46.00	48.35	47.61	49.28	51.00
Rate per percentage point of contamination						
Co-mingled contamination	1.36	1.45	n/a	1.50	1.55	1.61

*Subject to approval to the change as outlined in paragraph 9.

The proposed charges for 2013/14 are generally in line with those predicted in February 2012 except for co-mingled recyclables which are now split between a price per tonne of accepted recycle and a separate charge per percentage point of contamination. Clinical and detritus waste currently incur a lower, negotiated charge from Cory at a non-contractual discount which could change at any time. The anticipated increase in the contract rate for detritus in 2013/14 reflects the Environment Agency's recent circular on the composting of the organic content within it - as discussed elsewhere on the agenda (Paper WRWA 724).

20. Certain bulk recyclables have a variable market element and a contract element for 2012/13 as follows:-

Waste Type	Contract Element £	Market Element £	AWDC Rate 2012/13 £
Green	60.00	26.00	86.00*
Glass	29.00	-2.00	27.00
Paper	25.50	-58.00	-32.50
Scrap metal	48.00	-159.00	-111.00
Wood	45.50	36.00	81.50
Textiles	18.50	-380.00	-361.50

* Less £20 per tonne for Constituent Councils that deliver all their green waste to the Authority.

21. Constituent councils therefore need to be cautious before introducing any new recycling initiatives based on an assessment of the potential income from what are in fact volatile market prices. The Authority attempts to secure fixed prices for the year January to December, or longer if possible, but due to the volatility in market prices the General Manager is authorised to adjust these prices during the year, in consultation with the Treasurer.
22. The table provides for all waste streams currently handled by constituent councils or directly by the Authority. Should other waste streams be brought on stream in future, authority has been delegated to the General Manager in consultation with the Treasurer to set rates for the new waste streams.
23. Other than general inflation, rates are predicted to change for the following reasons:
 - General Waste –The composition of the EfW rate relies on the latest assumptions regarding contingency use and electricity prices for the forthcoming year.
 - Co-mingled Recyclables – the increase reflects MRP contributions now that the plant is operational.
 - Green Waste and other Bulk Recyclables – the 2013/14 proposed rates also reflect anticipated changes in the markets.

SUMMARY OF COSTS TO CONSTITUENT COUNCILS

24. Applying the predicted AWDC rates for 2013/14 to forecast tonnage produces an increase in overall cost budgets for Boroughs of 14.5% when compared to the current year's original budgets. Increases in overall estimated AWDC costs to Boroughs for 2014/15 when compared to the forecast for 2013/14 are 3.6%. It is the responsibility of the Boroughs to set their own budgets for each year, taking into account the AWDC rates set by the Authority and their own projections of what tonnage they might collect. An increase in the tonnage of waste managed will result in increased costs to the Boroughs and vice-versa. The tonnage forecasts in this paper are made on the basis of tonnage handled by the Authority from April to

September 2012, a period that was influenced by a number of untypical events including a late Easter holiday, an unusually wet spring, the Queen's Diamond Jubilee and the London Olympics.

25. Constituent councils are responsible for setting their own charges for commercial waste, where they provide a service. The indicative AWDC rates presented at paragraph 19 need to be treated with caution at this point in the year as they will be subject to change in the light of ongoing indexing calculations under the contract with Cory and movements in prices, which can be very volatile in the current economic climate. AWDC rates for 2013/14 will be approved by the Authority at its meeting in February 2013. Constituent councils will therefore need to apply caution in applying indicative AWDC rates to their proposals for commercial waste charges for 2013/14.
26. The Levy was set at £4.210 million for 2012/13 and forecast of movements for 2013/14 to 2016/17 are provided in Appendix B. The Levy for 2013/14 will be agreed by the Authority at its meeting in February 2013, when the Tax Bases of the constituent Boroughs will be known. The amounts shown in Appendix B are indicative at present. When setting the Levy for the current year, the authority indicated to the boroughs that the predicted gross Levy for all four boroughs would be £6.843 million for 2013/14. If the authority wishes to maintain this overall levy and achieve a working balance of between £2.5 million and £3 million then on current predictions this can only be achieved by charging the boroughs from 1st January 2013 for contaminated recycle waste. The alternative would be to increase the levy in 2013/14 to restore the Authority's balances to a prudent level.

RECOMMENDATION

27. The Authority is recommended to:

- a) either (i) agree a new charging basis for processing of recyclates involving a split between a reduced cost per tonne combined with additional charges for each percentage of contamination received at the MRF from 1st January 2013 (as outlined in paragraph 9) or (ii) agree that the Authority continue to absorb the cost of increased contamination of recycle deliveries until 1st April 2013; and
- b) otherwise to note this report for information.

The Town Hall
Wandsworth
SW18 2PU

20th November 2012

CHRIS BUSS
Treasurer

Appendix A

Authority	Charge Group	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Forecast	Predicted
											2012/2013	2013/2014 + beyond
CA	Batteries	30	34	35	38	35	35	37	27	13	13	
	Clinical											
	Co-Mingled Recyclables	11	4	123	255	219	351	450	443	392	340	340
	Detritus											
	Electricals			86	141	771	1,011	1,023	1,135	1,042	1,289	1,289
	Fridges	103	119	123	142	132	154	130	116	97	97	97
	Gas Bottles		0						0			
	General	27,320	29,746	28,687	29,968	28,727	29,052	22,746	21,472	20,838	19,384	19,384
	Glass	116	104	61	64	52	40	37	29	12		
	Green	1,236	1,890	1,915	2,300	2,622	2,898	3,013	3,362	3,007	2,603	2,603
	Inert	2,062	1,777	2,413	2,167	1,771	689	969	1,257	901	622	622
	Oil/Paint	12	25	18	17	16	11	16	19	17	12	12
	Paper/Cardboard	644	748	865	1,054	1,153	907	793	745	853	873	873
	Scrap Metal	1,173	806	1,038	1,068	777	620	435	430	489	481	481
	Textiles	69	92	92	126	133	119	142	158	144	158	158
	Tyres	1					0					
	Wood	69	46	480	279	136	88	1,169	1,773	2,095	1,704	1,704
CA Total		32,846	35,391	35,937	37,619	36,545	35,975	30,960	30,965	29,899	27,579	27,565

Authority	Charge Group	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Forecast	Predicted
											2012/2013	2013/2014 + beyond
HF	Batteries						1	1	1	1	1	1
	Clinical	77	78	82	89	96	87	65	52	49	44	44
	Co-Mingled Recyclables	6,045	9,681	12,662	14,356	15,971	16,173	15,259	16,041	15,635	14,850	14,850
	Detritus	578	445	779	826	549	772	847	686	667	552	552
	Electricals					89	119	116	73	44	48	48
	Fridges	180	188	174	195	219	183	122	71	32	21	21
	Gas Bottles	1	2	2	2	3	2	1	1	2	1	1
	General	76,264	76,671	73,264	71,639	68,598	64,296	61,954	59,576	57,517	56,785	56,785
	Glass	820	576									
	Green	1,121	767	674	942	1,059	1,049	715	442	422	973	973
	Inert	3,382	64	5	13	1				1		
	Oil/Paint									0		
	Paper/Cardboard	980	610	3				0				
	Scrap Metal	1	1	19	18	33	17	9	9			
	Textiles											
	Tyres	0	1	0	1	4	1	1	1	3	0	0
	Wood											
HF Total		89,449	89,084	87,666	88,081	86,619	82,700	79,090	76,954	74,374	73,275	73,275

Authority	Charge Group	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Forecast	Predicted
											2012/2013	2013/2014 + beyond
KC	Batteries						0	0	0			
	Clinical	5	5	7	4	4	3	3	3	3	4	4
	Co-Mingled Recyclables	8,844	11,142	13,503	16,658	19,356	20,040	19,553	19,854	19,907	17,537	17,537
	Detritus	386	427	519	1,189	1,285	1,292	744	474	431	496	496
	Electricals					9	17	28	31	17	9	9
	Fridges	138	124	116	144	136	113	91	61	33	18	18
	Gas Bottles	1	3	2	2	2	1	3	1	2	1	1
	General	79,471	78,171	77,966	75,769	70,813	65,826	62,268	60,380	57,764	58,819	59,893
	Glass	256	343	21								
	Green	46	141	297	426	561	765	899	912	825	898	898
	Inert			2	3		6					
	Oil/Paint								0			
	Paper/Cardboard	1,165	695	51	45	38	4	2	10	2		
	Scrap Metal		3		1	0	0	2	0			
	Textiles											
	Tyres	1	1	0	1	1	2	0	0	0		
	Wood				1							
KC Total		90,311	91,054	92,485	94,241	92,206	88,069	83,595	81,726	78,985	77,782	78,856

Note: Forecasts for 2012/2013 and Predictions for 2013/14 and beyond are based on 6 months tonnage data to the end of September 2012.

Authority	Charge Group	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Forecast	Predicted
											2012/2013	2013/2014 + beyond
LA	Batteries											
	Clinical	65	74	79	84	90	90	75	48	32	4	4
	Co-Mingled Recyclables	62	14,126	17,012	18,649	20,558	20,063	19,189	19,487	20,226	19,633	19,633
	Detritus	942	1,266	1,364	1,072	1,282	1,354	1,234	901	576	577	577
	Electricals					65	78	82	53	15	2	2
	Fridges	319	482	469	472	387	293	227	110	34	13	13
	Gas Bottles	4	12	25	13	11	8	8	4	4	1	1
	General	130,374	130,008	124,645	123,115	118,012	108,040	104,267	101,458	93,336	94,394	95,463
	Glass	479	6	2						1	2	2
	Green	29	2,583	3,957	3,030	3,148	2,366	1,496	469	146	32	32
	Inert	99	191	55	39	29	17	1	6	4		
	Oil/Paint											
	Paper/Cardboard	371	19	46	45	21	36	95	61	30	37	37
	Scrap Metal	83	161	166	177	79	41	33	37	10		
	Textiles							5	1			
	Tyres	106	172	98	100	107	103	79	59	29	16	16
	Wood									3		
LA Total		132,932	149,100	147,919	146,796	143,789	132,490	126,790	122,693	114,446	114,711	115,781

Authority	Charge Group	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Forecast	Predicted
											2012/2013	2013/2014 + beyond
WA	Batteries							3	4	1		
	Clinical	49	47	50	49	49	47	45	46	51	42	42
	Co-Mingled Recyclables	13,597	16,897	20,522	23,111	25,998	25,736	24,399	25,143	25,014	24,307	24,307
	Detritus	1,422	1,968	2,094	2,683	2,688	2,569	2,828	2,930	2,938	2,939	2,939
	Electricals					22	11	9	4	2	2	2
	Fridges	331	314	258	265	204	124	95	68	32	12	12
	Gas Bottles	1	2	2	2	1	3	1	1	2	1	1
	General	114,598	104,795	93,178	89,731	85,426	80,609	78,259	75,635	72,550	73,359	74,178
	Glass	596	388	11					12	2		
	Green	1,148	1,127	1,419	1,219	771	805	701	822	1,226	1,096	1,096
	Inert	790	816	872	697	4	3			3		
	Oil/Paint								0			
	Paper/Cardboard	1,115	587	122	108	59	59	42	42	35		
	Scrap Metal	0	2	4	9	8	4	0	0		0	0
	Textiles											
	Tyres	6	10	17	10	33	30	28	18	2	2	2
	Wood											
WA Total		133,652	126,952	118,549	117,883	115,262	110,004	106,411	104,723	101,857	101,759	102,578

Authority	Charge Group	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Forecast	Predicted
											2012/2013	2013/2014 + beyond
TOTALS	Batteries	30	34	35	38	35	39	42	29	14	14	1
	Clinical	196	204	218	226	238	227	189	150	135	94	94
	Co-Mingled Recyclables	28,560	51,849	63,822	73,029	82,102	82,364	78,850	80,967	81,174	76,668	76,668
	Detritus	3,328	4,106	4,757	5,770	5,804	5,987	5,653	4,990	4,612	4,564	4,564
	Electricals			86	141	956	1,237	1,257	1,295	1,120	1,350	1,350
	Fridges	1,070	1,228	1,141	1,218	1,078	867	665	427	228	161	161
	Gas Bottles	7	19	32	19	17	15	13	8	10	3	3
	General	428,026	419,390	397,740	390,221	371,576	347,823	329,494	318,520	302,005	302,742	305,704
	Glass	2,267	1,416	96	64	52	40	37	41	15	2	2
	Green	3,580	6,509	8,262	7,917	8,161	7,883	6,824	6,006	5,626	5,602	5,602
	Inert	6,333	2,848	3,347	2,919	1,804	714	971	1,263	909	622	622
	Oil/Paint	12	25	18	17	16	11	16	20	17	12	12
	Paper/Cardboard	4,274	2,659	1,087	1,253	1,271	1,007	932	859	920	911	911
	Scrap Metal	1,258	973	1,227	1,272	897	683	480	476	499	482	482
	Textiles	69	92	92	126	133	119	147	159	144	158	158
	Tyres	113	183	116	111	144	136	107	78	35	19	19
	Wood	69	46	480	279	136	88	1,169	1,773	2,098	1,704	1,704
TOTALS		479,190	491,582	482,555	484,620	474,422	449,239	426,845	417,060	399,561	395,106	398,055

Note: Forecasts for 2012/2013 and Predictions for 2013/14 and beyond are based on 6 months tonnage data to the end of September 2012.

APPENDIX B**FINANCIAL SUMMARY & METHODOLOGY**

ITEM	2012/13 Budget £000	2012/13 Revised £000	2013/14 Budget £000	2014/15 Predicted £000	2015/16 Predicted £000	2016/17 Predicted £000
<u>Operating Expenditure (AWDC)</u>						
Management of all waste streams.	49,672	50,324	52,224	54,129	56,023	57,984
Revenue cost of capital	683	1571	1,553	1,553	1,553	1,553
	50,355	51,895	53,778	55,682	57,576	59,537
<u>Employees/Running costs (Levy)</u>						
Employees	660	660	700	714	728	743
Business Rates	1,402	1382	1435	1464	1493	1523
Administration & General	563	573	422	455	464	473
Capital Finance [CA site charged to levy]	51	-	-	-	-	-
	2,676	2,615	2,557	2,633	2,685	2,739
GROSS EXPENDITURE	53,031	54,510	56,335	58,315	60,262	62,276
<u>AWDC Recovery Income</u>						
Hammersmith & Fulham	-9,111	-9,028	-9,853	-10,198	-10,555	-10,766
Kensington & Chelsea	-9,413	-9,473	-10,367	-10,730	-11,106	-11,328
Lambeth	-14,295	-14,407	-15,665	-16,214	-16,781	-17,117
Wandsworth	-12,111	-12,183	-13,412	-13,882	-14,367	-14,654
	-44,930	-45,091	-49,297	-51,024	-52,809	-53,865
<u>Miscellaneous Income</u>	-145	-195	-195	0	0	0
GROSS INCOME	-45,075	-45,286	-49,492	-51,024	-52,809	-53,865
NET BUDGET	7,956	9,224	6,843	7,291	7,453	8,411
<u>Adjustments for:-</u>						
AWDC Rates, Levy and General Reserve	-3,742	-5,014				
ANNUAL LEVY	4,210	4,210	6,843	7,291	7,453	8,411

Budget Methodology

The overall budget methodology takes a realistic but prudent view of both income and expenditure. The budget mechanism allows surpluses from AWDC charges, the Levy and the General Fund Balance in one year to be carried forward to the following year. The budget has not anticipated any surpluses beyond 2013/14.

Inflation The budget includes estimated inflation on costs to March of the relevant year, therefore providing estimates and predictions of full year costs. The budget projections currently allow 3.5% general inflation year on year after 2013/14.

General waste charges. General Waste tonnages in 2012/13 will be very similar to budgeted levels and based on current trends, only 0.2% growth is projected for 2013/14. The budget has allowed for a rebate in the region of £3.40 per tonne where the pricing mechanism allows the Authority to benefit from an underspend in Cory's contingency expenditure. Future years and energy prices will, it is hoped, bring income from electricity potentially generated from the EfW but this is not currently within the forecast projection. Electricity is currently a charge to the Authority.

Recycling and minor waste streams. Orange Recycling tonnages are forecast to be slightly lower than budgeted levels in 2012/13 and there is no prediction for growth in future years.

Business Rates. The Valuation Office Agency revised rating valuations for the quinquennial Valuation from 1st April 2010. Cringle Dock valuations were set at £740,000 and the refuse transfer station at Smugglers Way at £1.19m. The rateable value of Feathers Wharf is £72,000. Feathers Wharf has been used by the contractor constructing the MRF and these costs are split 80% to the cost of developing the MRF and 20% to the main contractor, Cory. The Feathers Wharf site was declared surplus to requirements at the Authority meeting in September 2010 but no definite plans are yet in place for the future of the site and therefore the forecast still includes the Business Rates cost relating to it. The national multiplier applied to rateable values in 2012/13 is 45.8p in the pound. Rates for 2012/13 and beyond reflect the actual and predicted business rates costs from the quinquennial valuation, an allowance for potential local supplements and also assumes an estimate for the MRF valuation which has not yet been received and the likelihood of an increased valuation as a result of the new CA site.

Landfill tax. Landfill tax is no longer incurred by the Authority as all waste is directed to the EfW plant. Only during the unlikely event of the need for waste diversion away from EfW will landfill tax be incurred. Landfill tax was £64 per tonne with effect from 1st April 2012 and the Treasury has announced further annual increases of £8 per tonne to £80 per tonne in 2014/15.

LATS. There is still a prospect of some future income from surplus LATS, assuming the scheme still exists in 2013/14. However, the budget has not allowed for any income to the Authority from the sale of LATS.

Administration & General. Administration costs include the proposed lower budgeted programme for the Recycle Western Riverside 3 programme and project costs. Overall, Administration and

General expenses have reduced to a stable level following a period when higher legal and consultancy costs were incurred as the EfW, MRF and AWDC agreements were put in place.

Capital Financing/Cash Flow Interest. Included in the capital financing costs is the MRF funding and the MRP provision for the repayment of debt for the loans advanced to fund the MRF capital expenditure. Capital financing costs are offset in part by interest on Authority balances invested through Wandsworth Council. Due to increased interest rates on loans from the Public Works Loans Board, capital expenditure for the CA site has been met from balances during 2012/13 avoiding the previously budgeted capital financing costs.

Miscellaneous Income. £145,000 reflects the current level of income from Westminster Council for the use of Civic Amenity sites plus recharged costs of £50,000 from Lambeth Council for the operation of Vale Street Civic Amenity site. Reduced miscellaneous income is expected in 2013/14 and no allowance for this level of income has been made in 2014/15 onwards.