

**ITEM 3****PAPER NO. WRWA 20-02****WESTERN RIVERSIDE WASTE AUTHORITY**

<b>MEETING</b>	23 <sup>rd</sup> January 2020
<b>REPORT AUTHOR/ DATE</b>	Treasurer (Chris Buss-Tel 0208 871 2788) 15th January 2020
<b>SUBJECT</b>	Report of the Treasurer on the Authority's Budget and Levy for 2020/21 and the prospects for 2021/22 and beyond.
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<b>STATUS</b>	Open-circulation of this paper is not restricted.
<b>BACKGROUND PAPERS</b>	Budget Forecast Paper No. WRWA 891 including Appendices A - D – considered at the meeting of the Authority on 25th November 2019.

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## **EXECUTIVE SUMMARY AND BACKGROUND**

1. This budget report updates the budget forecast report considered at the Authority meeting on 25th November 2019 (Paper No. WRWA 891). The original budget of the Authority for 2019/20 is compared with the revised budget for the year and provides recommendations for the Levy and Apportionment of Waste Disposal Costs (AWDC) rates for 2020/21 and prospects for 2021/22-2023/24.
- 2 The Authority's income is substantially derived from charges to constituent councils for the disposal costs of waste, AWDC charges and levies upon those councils. The Authority has a statutory duty to apportion levies among the constituent councils for each financial year to meet liabilities for which provision is not otherwise made.
3. Since February 2009, constituent councils have been charged differential rates for individual waste streams which does not distinguish between household and commercial tonnages. All waste streams delivered by constituent councils are subject to specified rates per tonne to reflect the estimated cost to the Authority of the individual waste stream in the year of account. Civic amenity waste and Authority overheads are apportioned among constituent councils on the basis of their council tax-bases. This agreement was entered into by the constituent Councils and the Authority on a voluntary basis and has worked well. The agreement has been formally extended for a further eight years from April 2017.
4. Under the agreement, rates per tonne are required for all waste streams. The recommended rates per tonne for 2020/21 are compared with the current year's rates at paragraph 18 for approval. Predicted rates for 2021/22 to 2023/24 are also presented for information. Actual and estimated tonnages for the period covered can be found in Appendix B of the General Manager's report (Paper No. WRWA 2005 on this agenda).
5. The Authority has seen general waste tonnage delivered by the constituent councils reduce slightly (2.7%) in the current financial year compared to the previous year (although there are fluctuations across the constituent councils). Estimates set out in this paper do not incorporate any further increases above 2019/20 levels for future years. Constituent councils are advised, as in previous years, to make their own assumptions regarding tonnage levels when setting their own budgets. Tonnage delivered to the Civic Amenity site has experienced an increase of around 1% compared to the previous year but these estimates do not predict that this will continue and instead predict constant tonnage levels in future years.

## EXPERIENCE IN 2019/20

6. The Reserve balances 1<sup>st</sup> April 2019 were as follows:

	Original	Revised
General Fund Reserve	£4,621,000	£4,621,000
Stabilisation Reserve	£6,829,000	£6,829,000
Loan Repayment Reserve	£8,500,000	£5,125,000
Recycling Reserve	£250,000	£250,000
Pension Liability Reserve	£1,800,000	£1,800,000
<b>Total Usable Reserves</b>	<b>£22,000,000</b>	<b>£18,625,000</b>

7. As outlined elsewhere on this agenda, the finalisation of the 2018/19 accounts revises the balance of the Loan Repayment Reserve to £5,125,000 as a result of the £3.5 million facilitation payment received in October 2018 being spread over the remaining life of the WMSA. The remaining balance of the £3.5 million will be recognised in revenue at a value of £250,000 per annum. The full £5.125 million Loan Repayment Reserve will be used to repay PWLB loans in 2019/20 as they become due. This will reduce overall usable reserves to £13.5 million.
8. The General Fund reserve covers the regular General Fund reserve requirement plus £1.5 million set aside against the maximum risk the Authority could be liable for in relation to planning costs for the redevelopment of Cringle Dock. At the end of 2018/19 the Authority approved the transfer of £8.5m into the new Loan Repayment Reserve in order to fund the repayment of PWLB loans when they become due, leaving £4.6m in the General Fund reserve.
9. The Budget Forecast report (Paper No. WRWA 891) to the Authority meeting in November 2019 outlined the latest position regarding the 2019/20 budgets. The latest forecast incorporates the most up to date tonnage data (including November 2019) and electricity prices and is outlined in Appendix B to the General Manager's report (Paper No. WRWA 20-05 on this agenda) (Direct tonnage costs) and Appendix B to this report (Levy costs). As outlined in November 2019, a provision of £40,000 has been included within the revised 2019/20 budget to fund potential additional audit fees.
10. When the budget was set in February 2019, the general waste rate was set at a charge of £150.50 for the constituent boroughs in 2019/20. This price was set with no expected subsidisation from the Stabilisation Reserve. The actual position is outlined in the Financial Summary at Appendix A which demonstrates the latest

forecast for 2019/20 is a deficit of around just £41,000 on AWDC rates compared to £508,000 in the November forecast paper. This is entirely a result of revised electricity prices as outlined below.

11. As outlined in the Budget Forecast report in Paper No. WRWA 891, Members are reminded that the insurance arrangements in relation to the outage of the turbine at the Belvedere facility during the period 10<sup>th</sup> October 2018 to 29<sup>th</sup> May 2019 are still unresolved. No allowance has been made for any insurance payment or Triad payment in the current or future years' budgets.

## Electricity

12. The electricity generated at the Belvedere EfW plant forms part of the General Waste rate under the contract with Cory. The Authority receives income from the electricity generated if the market price exceeds the 'threshold' (uplifted under the terms of the contract, currently £64.94 per MWh in 2019/20). However, below this threshold the Authority incurs a charge (up to a floor currently £44.53 per MWh in 2019/20). The 2019/20 budget assumed electricity prices on average 23% above the floor, or around £54.90/MWh on average, which resulted in an electricity charge to the Authority of £6.83 per tonne. Estimated electricity prices at the point the Budget Forecast paper was written were £48.80/MWh or £10.47 per tonne. Actual electricity prices incurred by the Authority have averaged £47.45/MWh (£11.23 per tonne) with the first six months at the 'floor' price. The last two months have seen an improvement and the forecast for the remainder of the year has been set at just above the 'floor'. The current estimated average charge to the Authority per tonne for the full year is therefore £8.67 (or £51.59/MWh) which is just under £2 per tonne worse than the budgeted position:

	2019/20 Budget	November forecast	Current forecast	Floor
£/MWh	54.90	48.80	51.59	44.53
£/tonne	6.83	10.47	8.67	13.10

13. In previous years, the Authority have been able to receive 'Triad payments' under the WMSA which are awarded if RRRL meet the specific test of energy generation on three particular days of the year set by the National Grid. As electricity prices are above the floor, it is possible that these might be worth approximately £0.6 million in 2019/20.

## PROPOSALS FOR 2020/21

### AWDC RATES

- The November 2019 estimates for 2020/21 AWDC rates have been marginally amended in the Budgeted AWDC Costs and Income at Appendix A following the experience of waste streams managed to 30<sup>th</sup> November 2019, the latest mix of inflation indices and latest estimates around electricity.

### Electricity

- As outlined above, the Authority receives income from the electricity generated if the market price exceeds the 'threshold' (uplifted under the terms of the contract, expected to be £66.39 per MWh in 2020/21). However, below this threshold the Authority incurs a charge (up to a floor expected to be £45.53 per MWh in 2020/21). The November forecast offered optimistic and pessimistic electricity cost scenarios ranging an average price of £48.00/MWh to an average price of £53.00/MWh. Although the expected market prices for the short term are predicted to be slightly higher than that which we predicted in November, the Authority is aware that RRRL have still not traded any electricity for Summer or Winter 2020. A combination of warmer weather and high gas reserve levels is keeping prices low. The market has been predicting the following trend in prices for both Summer (S20) and Winter (W20) 2020:





16. The budget now estimates prices begin the financial year at the 'floor' level and remain there for six months of the year with a marginal improvement for the second half of the year. This is because RRRL have not traded anything for the period from 1st April. The overall electricity assumption in the 2020/21 budget includes an average of around £47 per MWh, generating an average cost of £12.61 per tonne of general waste (the floor costing £13.39 per tonne).
17. Using the assumptions set out above for electricity costs and no assumption of the achievement of triad payments for the Authority, the general waste rate charge for 2020/21 would be £158.00 per tonne or 5% above 2019/20 levels. This is nearer to the pessimistic estimate outlined in the November forecast paper of £159.08 per tonne. However, as outlined in November, it is proposed to subsidise the General Waste rate charge for constituent councils using the Stabilisation Reserve and therefore set the price at £154.00 per tonne. Based upon the current assumptions, this will require a subsidy of £4.19 per tonne or £1,176,000 from the reserve.
18. The Authority needs to approve a scale of rates for all waste streams managed for 2020/21. The current rates for 2019/20, the proposed rates for 2020/21 and predicted rates for 2021/22 to 2023/24 are detailed below. The table outlines the contracted element of the AWDC rates and where applicable the current variable

market adjustments to these rates are incorporated into the proposed council charge for 2020/21. 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.

	Rates per Tonne (£)								
Waste Type	Current contract cost 2019/20	Market Variable	Current council charge 2019/20	Proposed contract cost 2020/21	Market Variable	Proposed council charge 2020/21	Predicted contract cost 2021/22	Predicted contract cost 2022/23	Predicted contract cost 2023/24
General waste	152.48		150.50	158.19		154.00	162.15	166.20	170.36
Co-mingled recyclables <sup>1</sup>	27.03		28.00	27.84		28.00	28.54	29.25	29.98
Green waste <sup>3</sup>	64.36	36.75	100.00	66.58	36.00	67.00	68.24	69.95	71.70
Batteries	58.87		60.00	61.00		61.00	62.52	64.08	65.69
Clinical <sup>4</sup>	704.89		709.00	729.82		730.00	748.06	766.76	785.93
Detritus <sup>5</sup>	80.60		81.50	82.51		83.00	84.57	86.68	88.85
Electricals	51.31		53.00	53.08		53.50	54.40	55.76	57.16
Fridges	50.00		50.50	51.88		52.00	53.17	54.50	55.86
Gas Bottles	134.00		134.50	139.03		139.50	142.50	146.06	149.71
Glass	30.60	0.00	38.00	31.66	0.00	32.00	32.45	33.26	34.09
Inert	30.29		31.50	31.20		31.50	31.98	32.77	33.59
Oil/Paint	127.55		130.00	132.16		132.50	135.46	138.85	142.32
Paper/Cardboard	27.00	-15.00	-27.00	27.93	-10.00	28.00	28.63	29.35	30.08
Scrap Metal	51.31	-53.00	0.00	53.08	-75.47	53.50	54.40	55.76	57.16
Textiles	19.80	-230.00	-209.50	20.49	-220.00	20.50	21.00	21.52	22.06
Tyres	288.23		290.00	296.84		297.00	304.26	311.87	319.67
Wood	48.61	60.00	112.50	50.28	60.00	50.50	51.54	52.83	54.15
	<b>Rate per percentage point of contamination</b>								
Co-mingled contamination	152.48		150.50	158.19		154.00	162.15	166.20	170.36

<sup>1</sup> Co-mingled recyclables now incur a separate contamination charge as agreed in Paper No. WRWA 723 in November 2012

<sup>2</sup> Assumes the fall out of the reduced rate negotiated with Cory at this stage which was extended until March 2019 from when the one year rolling arrangement is in operation again

<sup>3</sup> Less £20 per tonne for constituent councils that deliver all their green waste to the Authority.

<sup>4</sup> Less £130 per tonne as negotiated with Cory for all clinical waste

<sup>5</sup> Assumes alternative outlet not available and return to WMSA rates

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19. Constituent councils need to have due regard to price risk before introducing any new recycling initiatives based on the potential income from 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.
20. 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.
21. Appendix A outlines the potential direct tonnage cost and income for the Authority and hence the costs for each constituent council, however it must be stressed that it is for the constituent councils to make their own assumptions with regard to tonnage and contamination.
22. Estimates are based upon the following annual tonnage levels and average contamination rates experienced in 2019/20 with no allowance for increases:

	Tonnes	General Waste	Co-mingled Recyclate	Other	Contamination	Total
Hammersmith & Fulham		55,640	11,589	538	1,561	69,328
Kensington and Chelsea		58,194	16,058	1,769	1,697	77,717
Lambeth		86,697	19,153	2,240	2,683	110,773
Wandsworth		74,776	19,852	3,457	2,514	100,599

23. Constituent councils have been advised to make their own assumptions regarding tonnage levels when setting their own budgets for Council tax purposes. A 1% increase in General Waste tonnage for each borough would cost the following:

	£000
Hammersmith & Fulham	86
Kensington and Chelsea	90
Lambeth	134
Wandsworth	115

24. Constituent councils are also asked to note that Appendix A includes the contamination element at the cost of the General Waste rate, however, the real

additional cost of contamination is actually the Co-mingled rate of £28.00 per tonne which is calculated at the end of Appendix A for information.

THE LEVY

25. Appendix B details the civic amenity waste and Authority overheads which are apportioned among constituent councils on the basis of council tax-bases through the Levy. These estimates incorporate minor changes since those outlined in November to the Authority meeting. The Administration and General costs include a provision of £480,000 for consultancy, financial and legal advice in relation to discussions with Battersea Power Station and Cory regarding the potential Cringle redevelopment as well as general advice to the Authority including issues relating to the WMSA.
  
26. A general principle when setting the budget 2019/20 was to reduce outstanding debt. This allowed the annual revenue charge on interest due on PWLB loans to be reduced as loans were repaid from cash backed reserves in 2019/20. The application of the remaining Loan Repayment Reserve as well as the gradual release of the deferred income (£3.5 million facilitation payment) has been recognised in the budget figures for 2020/21 outlined in Appendix B. Under accounting principles, the Authority is required to set aside a prudent amount annually to fund the repayment of notional debt. As a result of the change in the treatment of the £3.5m facilitation payment, the budget now includes an annual contribution of £54,000 per year as a Minimum Revenue Provision. The cost of this is met by the release of the deferred income mentioned above. This will enable all debt to be fully provided for by the end of the current WMSA – 2032/33.
  
27. The Levy requirement due in April 2020 for 2020/21 has therefore reduced from 2019/20 levels to £4.478m which is a reduction of £314,000, just over 6%. The charges to constituent councils compared to the original 2019/20 Levy requirement are outlined in the table below. The estimates use provisional 2020/21 council tax-bases. Councils are required to notify their approved tax bases for 2020/21 but not all of the formally approved figures were available at the agenda despatch date. It is recommended that authority be delegated to the Treasurer to apportion and formally issue the Levy once final tax-bases for 2020/21 have been confirmed.

<b>2019/20</b>	<b>2020/21</b>
<b>£'000</b>	<b>£'000</b>

Hammersmith & Fulham	906	849
Kensington and Chelsea	1,114	1,028
Lambeth	1,249	1,175
<u>Wandsworth</u>	<u>1,523</u>	<u>1,427</u>
<b>TOTAL</b>	<b>4,793</b>	<b>4,478</b>

28. When setting the 2013/14 Levy the Authority agreed that as far as practicable, the Levy should be held stable so as to minimise the impact on constituent councils' council tax and reduce the risk of triggering a council tax referendum. This will continue to be kept under review for future years. The proposed debt redemption policy assists in maintaining this objective.
29. Although much of the Levy costs are relatively fixed year on year, there are areas which vary due to one off demands such as the need to employ external legal and valuation advice on specific projects in addition to the significant potential variable of Civic Amenity site tonnage.
30. Constituent council's Finance officers have been consulted by email on the charge rates regarding direct tonnage and the Levy. Any observations received will be reported verbally to the Authority meeting

#### THE GENERAL RESERVE

31. The current balance on the General Reserve is £4.6 million. In addition to the risk of one-off expenditure on the Levy requirement, there are a number of other uncertainties that could affect the 2020/21 budget. These are detailed in Appendix F. It is proposed to therefore set the General Fund Balance at a level of £3.3 million in 2020/21 in order to provide against general future uncertainty. In light of the expected use of the Stabilisation Reserve during the year, it is proposed to transfer the balance of £1.3 million into this reserve. The reserve balances will be reviewed again when the 2019/20 accounts are closed.

#### COMMODITY INCOME

32. Under its agreement with Cory the Authority receives, above a threshold, a share of the commodity value of the co-mingled recyclables. This is passed on in full to the constituent councils but, due to depressed commodity markets no such income has been received since July 2018 and prior to that the last payment was in

September 2017. Constituent councils are advised to make their own assumptions regarding income levels for 2020/21 onwards.

### **SUMMARY OF COSTS TO CONSTITUENT COUNCILS**

33. Constituent councils are forecast to incur the following costs in 2020/21 based on the recommended Levy and 2019/20 tonnage levels at the proposed AWDC charges:

	<b>AWDC Charges <u>£'000</u></b>	<b>Annual Levy <u>£'000</u></b>	<b>Total <u>£'000</u></b>
Hammersmith & Fulham	9,133	849	9,982
Kensington and Chelsea	9,673	1,028	10,701
Lambeth	14,301	1,175	15,476
<u>Wandsworth</u>	<u>12,459</u>	<u>1,427</u>	<u>13,885</u>
<b><u>Total</u></b>	<b><u>45,566</u></b>	<b><u>4,478</u></b>	<b><u>50,044</u></b>

The comparative figures for 2019/20 based on the original budget as reported in February 2019 are shown below:

	<b>AWDC Charges <u>£'000</u></b>	<b>Annual Levy <u>£'000</u></b>	<b>Total <u>£'000</u></b>
Hammersmith & Fulham	9,345	906	10,252
Kensington and Chelsea	9,821	1,114	10,935
Lambeth	14,495	1,249	15,744
<u>Wandsworth</u>	<u>12,812</u>	<u>1,523</u>	<u>14,335</u>
<b><u>Total</u></b>	<b><u>46,473</u></b>	<b><u>4,793</u></b>	<b><u>51,266</u></b>

### **AUTHORITY BUDGETS**

34. The original and revised overall Authority budget for 2019/20, the proposed budget for 2020/21 and predicted budget for 2021/22 are shown in the Appendices with the budget methodology at Appendix C. The estimated gross cost for the Authority for 2020/21 compared to the amount as at Levy setting in 2019 for 2019/20 is shown below:

	<u>£'000s</u>
Gross Expenditure 2020/21	52,662

Gross Expenditure 2019/20	<u>51,580</u>
Increase	<u>1,082</u>
Percentage increase	2.1%

The total budgeted and predicted costs to individual constituent councils are shown for the period from 2019/20 to 2021/22 in Appendix E.

**RECOMMENDATIONS**

35. The Authority is recommended to:

- (a) approve a revised gross expenditure budget for the Authority of £55.7 million for 2019/20 (£45.3m directly determined by direct tonnage delivered and £10.4 million paid for by the Levy) and £52.7 million for 2020/21 (£47.4 million directly determined by direct tonnage delivered and £5.2 million paid for by the Levy), as presented in the Budgets for Direct costs and Levy costs in Appendices B and C;
- (b) approve the AWDC rates to apply for 2020/21 as detailed on page 5;
- (c) approve the transfer of £1.3 million from the General Reserve into the Stabilisation Reserve; and
- (d) approve the basis of cost recovery as set out in the report, including the residual Levy figure of £4.478 million for 2020/21 for the Treasurer to apportion and issue the levy among the constituent councils in line with the actual constituent council’s council tax bases for 2020/21.

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CHRIS BUSS  
Treasurer

Western Riverside Administration Office  
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15th January 2020

**APPENDIX A****Budgeted AWDC Costs and Income**

<u>Direct Tonnage costs (AWDC)</u> (tonnage assumed to remain constant)	<b>2019/20 Budget £000</b>	<b>2019/20 Revised £000</b>	<b>2020/21 as Predicted Dec £000</b>	<b>2020/21 as Predicted Dec £000</b>	<b>2020/21 Budget £000</b>	<b>2021/22 Predicted £000</b>
<u>Operating Expenditure</u>			Optimistic	Pessimistic		
General Waste	43,919	42,801	44,194	45,108	44,889	46,012
Co-mingled Recyclate	1,870	1,802	1,858	1,858	1,856	3,716
Other	684	687	666	666	703	659
	46,474	45,290	46,718	47,632	47,448	50,387
<u>Direct Tonnage Income (AWDC)</u>						
General Waste						
Hammersmith & Fulham	-8,677	-8,374	-8,577	-8,577	-8,569	-9,022
Kensington & Chelsea	-8,993	-8,758	-8,968	-8,968	-8,962	-9,436
Lambeth	-13,272	-13,048	-13,301	-13,301	-13,351	-14,058
Wandsworth	-11,466	-11,254	-11,513	-11,513	-11,516	-12,125
Co-mingled Recyclate						
Hammersmith & Fulham	-315	-324	-324	-324	-324	-646
Kensington & Chelsea	-450	-450	-453	-453	-450	-895
Lambeth	-560	-536	-538	-538	-536	-1,068
Wandsworth	-569	-556	-555	-555	-556	-1,107
Contamination*						
Hammersmith & Fulham	-262	-235	-246	-246	-240	-253
Kensington & Chelsea	-283	-255	-268	-268	-261	-275
Lambeth	-502	-404	-416	-416	-413	-435
Wandsworth	-435	-378	-378	-378	-387	-408
Other						
Hammersmith & Fulham	-91	-52	-50	-50	-53	-55
Kensington & Chelsea	-95	-151	-151	-151	-155	-141
Lambeth	-159	-146	-159	-159	-164	-141
Wandsworth	-342	-327	-305	-305	-334	-322

	-46,473	-45,249	-46,201	-46,201	-46,272	-50,387
AWDC (surplus)/ deficit	0	41	517	1,430	1,176	0

Note: Contamination costs are shown in this table within the cost of the General Waste rate. However, contamination should really be put in the black bag in the first place so the real additional cost of contamination is actually the Comingled rate of £28.00 per tonne (2020/21 rates) which is analysed as follows for 2020/21:

	£'000
Hammersmith & Fulham	44
Kensington and Chelsea	48
Lambeth	75
Wandsworth	70

**APPENDIX B****LEVY CHARGE**

LEVY cost	2019/20	2019/20	2020/21 as	2020/21 as	2020/21	2021/22
	Budget	Revised	Predicted	Predicted	Budget Dec	Predicted
	£000	£000	Dec £000	£000	£000	£000
			Optimistic	Pessimistic		
Employees	629	607	538	596	625	637
LPFA Levy	54	52	53	55	53	54
Business Rates	593	547	566	572	556	568
Administration & General -Legal/ Consultancy costs	345	345	345	500	480	490
Administration & General - Other direct costs	310	356	356	406	239	244
WBC Financial support*	60	60	61	61	62	63
WBC Admin support	27	25	25	25	26	27
CA site Tonnage and running costs	2,587	2,778	2,807	2,837	2,991	2,921
Capital charged to Revenue/ Refurb	230	156	-	-	-	-
Capital Financing	272	287	99	99	182	153
PWLB Loan Repayment	-	5,500	-	-	-	-

Total Cost	5,107	10,713	4,849	5,150	5,214	5,156
			-350			
Miscellaneous Income	- 314	- 499		-150	-461	-150
Deferred Income						
Transfer from Reserve	-	-250	-	-	-250	-250
Levy Income	-	-5,125	-	-	-25	-
Total Income	-4,793	-4,793	-4,499	-5,000	-4,478	-4,756
	<b>-5,107</b>	<b>-10,407</b>	<b>-4,849</b>	<b>-5,150</b>	<b>-5,214</b>	<b>-5,156</b>
Levy (surplus)/ deficit	0	46	0	0	0	0

**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 Reserve in one year to be carried forward to the following year.

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 2.5% general inflation year on year after 2020/21.

General waste charges. General Waste tonnages delivered by constituent councils in 2019/20 have reduced slightly in the current financial year compared to the previous year. Tonnages received at the Civic Amenity site have increased by around 1.5% compared to the previous year. Electricity is currently a charge to the Authority at an estimated £8.67 per tonne in 2019/20.

Recycling and minor waste streams. Recycling tonnages are forecast to be slightly lower than budgeted levels in 2019/20 and there is no prediction for movement in future years.

Business Rates. The current rating valuations for the site at Smugglers Way is £705,000 and Cringle Dock is £270,000 effective from 1<sup>st</sup> April 2017. The national multiplier applied to rateable values in 2018/19 is 50.4p in the pound plus a supplement of 2p. Rates budgets reflect the revised expected business rates costs from the 2017 valuation and an allowance for potential local supplements.

Administration & General. Administration costs include the revised budgeted programme for the Recycle Western Riverside 2020/21 programme and project costs of £50,000 (as outlined in Paper No. WRWA 20-05) with a contribution of up to £25,000 from the Recycling Reserve if more than £25,000 is spent. The Administration & General costs include a provision of £480,000 consultancy and legal advice in relation to discussions with Cory around the insurance claim regarding the turbine failure, Battersea Power Station regarding potential Cringle redevelopment as well as other general advice.

Capital Financing. Included in the capital financing costs is the MRF funding repayment costs for PWLB loans. As outlined elsewhere on this agenda, this now includes a prudent technical adjustment for the repayment of debt (MRP provision).

Miscellaneous Income. £261,000 reflects the 2020/21 level of income from Westminster Council for the use of Civic Amenity sites. An amount is also included in the budget for the rental income for the Feather's Wharf site in 2020/21. No allowance for this level of income has been made in 2021/22 onwards.

Deferred Income. The £3.5 million facilitation payment received in October 2018 has been agreed to be spread over the remaining life of the WMSA which equates to £250,000 per year which has now been reflected in the budget.

**APPENDIX D****TOTAL BUDGETED/PREDICTED COSTS TO CONSTITUENT COUNCILS**

<b>BUDGET PERIOD &amp; CONSTITUENT BOROUGH</b>	<b>AWDC CHARGES £000s</b>	<b>LEVY £000s</b>	<b>TOTAL £000s</b>
<b>2019/20 Original Budget</b>			
Hammersmith & Fulham	9,345	906	10,252
Kensington and Chelsea	9,821	1,114	10,935
Lambeth	14,495	1,249	15,744
Wandsworth	12,812	1,523	14,335
<b>Total</b>	<b>46,473</b>	<b>4,793</b>	<b>51,266</b>
<b>2019/20 Revised Budget</b>			
Hammersmith & Fulham	8,933	906	9,840
Kensington and Chelsea	9,463	1,114	10,577
Lambeth	13,988	1,249	15,237
Wandsworth	12,188	1,523	13,711
<b>Total</b>	<b>44,572</b>	<b>4,793</b>	<b>49,365</b>
<b>2020/21 Budget</b>			
Hammersmith & Fulham	9,133	849	9,982
Kensington and Chelsea	9,673	1,028	10,701
Lambeth	14,301	1,175	15,476
Wandsworth	12,459	1,427	13,885
<b>Total</b>	<b>45,566</b>	<b>4,478</b>	<b>50,044</b>
<b>2021/22 Predicted</b>			
Hammersmith & Fulham	-9,921	901	-10,822
Kensington and Chelsea	-10,606	1,092	-11,698
Lambeth	-15,561	1,248	-16,809
Wandsworth	-13,639	1,515	-15,154
<b>Total</b>	<b>-49,728</b>	<b>4,756</b>	<b>-54,484</b>

**APPENDIX E****GENERAL RESERVE REQUIREMENT 2020/21**

The General Reserve provides a buffer available to finance new expenditure and variations in costs not sufficiently definite to be built into the assessment of the formal budget requirement. Specific risks in 2019/20 and potential costs that could be associated with them are as follows:

<b>RISK</b>	<b>INDICATIVE POTENTIAL COST £000</b>
(1) Increase in costs beyond budget assessment due to higher than anticipated movements in indexation or other issues	350
(2) Extra legal/consultancy fees etc	400
(3) Recycling commodity income replaced by additional charges	100
(4) New expenditure initiatives – recycling, staffing, etc.	100
(5) New legislation	250
(6) Potential additional costs in relation to any development at Cringle Dock	650
(7) Additional tonnage at CA Site	400
<b>TOTAL</b>	<hr/> <b>2,250</b> <hr/>

Overall, in the light of recent experience, a General Reserve of £1.8 million in relation to the risks above is considered prudent, representing around 80% of the potential risks identified. In addition, £1.5 million is set aside against the maximum risk the Authority could be liable for in relation to planning costs for the redevelopment of Cringle Dock. The total of £3.3 million for 2020/21 represents approximately 6% of gross expenditure.