

ITEM 3**PAPER NO. WRWA 20-08****WESTERN RIVERSIDE WASTE AUTHORITY**

MEETING	30th June 2020
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 875 2788) 22nd June 2020
SUBJECT	Report of the Treasurer on the Authority's Outturn position for 2019/20.
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STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	No background papers were used in the production of this report

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EXECUTIVE SUMMARY AND BACKGROUND

1. The outturn position, showing the Authority's actual income and expenditure when compared to the budget for 2019/20 is presented for information to this Authority meeting. Following changes arising from The Accounts and Audit (England) Regulations 2015, the date by which principal local authorities must normally publish their accounts along with the auditor's opinion would be 31 July 2020. However, the Accounts and Audit (coronavirus) (amendment) Regulations 2020 delay that date to 30 November 2020, with a set of accounts presented to the auditor and signed by the Treasurer by 30 September 2020. The Authority is currently working to deliver accounts to the auditor by mid July and audit to take place during August. The full set of accounts will be presented to an Authority meeting at the September/November cycle.

ACCOUNTS 2019/20

2. The outturn position prior to Audit against budget is detailed at Table 1 for information. The net position for Operating expenditure (direct tonnage charges to boroughs) is a surplus of £1,245,000. This is largely in line with budget expectations except for additional income of £1.4 million as per below:
3. Members will remember that in previous years, the Authority has benefited from an annual rebate from RRRL in relation to 'Triad payments' which are due to the Authority as part of the 'Energy uplift refund' under the WMSA (worth £1.7 million in 2017/18). This income was not incorporated into budgets and not included in 2018/19 accounts as the plant did not produce any electricity due to the turbine failure in October 2018. The benefit of any insurance arrangements entered into by Cory in relation to the turbine failure in October 2018 are still uncertain and therefore no allowance has been made for such income in these outturn figures. If successful, this will either fall into the 2020/21 financial year or if determined prior to the completion of the 2019 /20 audit by restating the current year's accounts. However, in 2019/20 2 of the 3 'Triad payments' were successfully hit by Cory and £1.4 million has been set up in the accounts as due to the Authority in relation to this.
4. General running costs and CA site expenditure funded by the Levy has underspent by £838,000 compared to the revised budget set in January 2020 and generated a surplus of £792,000 during the year. The CA site running costs are slightly under budget by £321,000 reflecting the slightly lower tonnage levels than predicted. The Authority has recovered its legal and consultancy costs relating to the Cringle Dock redevelopment proposals from BPS and Riverside Energy Park discussions (-£261,000). Net budgets were set up within WRWA accounts in case discussions were unsuccessful and WRWA had to incur the costs. The office refurbishment came in under budget (-£50,000) for which there may be a final small charge once snagging is completed but this will be met from within existing approved 2020/21 budgets. Interest of £114,000 has also been earned on the balances invested in the CCLA account which had not been assumed at budget setting time and a further £77,000 on balances invested with Wandsworth.

5. The Recycle Western Riverside programme total budget was £185,000 for the year which included £30,000 brought forward from 2018/19. As outlined in the General Manager's paper elsewhere on this agenda, there were delays to the completion of the schools 'What Happens to your recycling' video and part of the End of the Line for Waste campaign for which it is recommended that £6,000 of this underspend (-£47,000) be carried forward into 2020/21.

OUTLOOK FOR 2020/21 and future years

6. When setting the rates in January 2020 for 2020/21 (Paper No. WRWA 20-02) the General Waste rate was set at £154.00 based upon the latest projections for electricity at that time. This assumed a subsidy of £4.19 per tonne or £1,176,000 use of the reserve. So far in 2020/21, RRRL have been charging the authority £45.51 per MWh. This is very close to the £45.53 assumed within the budget. There is therefore no current suggestion that the budgeted contribution from the reserve is insufficient but this is at a very early stage in the financial year. As every year, the achievement of the triad income from RRRL is uncertain, and therefore there is no assumption of this income at this time. However, the wholesale price of electricity remains low and the need for ongoing subsidy to smooth any increases in price to the boroughs remains for the foreseeable future. In addition, the fact that Cory have given notice that the current discounted recyclable rate will terminate at the end of the financial year means that without the ability to smooth out any increases over a number of years the boroughs could face a sharp increase in prices for recyclables from April 2021.
7. Accordingly, I am therefore recommending that the surplus of income over expenditure (£2,036,000) be transferred to the Stabilisation Reserve whilst maintaining the General Reserve at the figure set when the 2020/21 budget was set in January 2020.

RESERVES POLICY

8. The Authority has a number of reserves set aside for either specific or general purposes and their purpose and current balance as at 31st March 2020 is as follows:
 - General Fund Reserve -£3,300,000
 - Stabilisation Reserve - £8,150,000; This reserve can be drawn upon to ensure the stabilisation of charges for the boroughs, enabling greater flexibility in how to meet future spending pressures. In Paper No. 20-02 (Budget setting), this reserve was increased by £1,321,000 with a transfer from the General Fund Reserve in anticipation of the subsidisation of the General Waste rate during 2020/21. If the 2019/20 outturn surplus of £2,036,000 requested in this paper is approved, the revised balance will be £10,186,000.
 - Recycling Initiatives Reserve - £250,000; Whilst recycling initiatives to date have been able to be funded from within existing approved budgets, it was agreed in Paper No. 20-02 that a contribution of up to £25,000 will be made from the Recycling Reserve in 2020/21 if required. It is not proposed to increase this reserve

at this time but to review the adequacy of it again or need to increase it when the budget is set in January 2021

- Pension Liability Reserve - £1,800,000; The Actuary for the Pension fund (administered by the LPFA) has reported on the triennial valuation that as at 31st March 2019, the Authority's element of the LPFA fund was fully funded. This valuation, although it is a forward look, is still only valid as at that point in time and the fund will be subject to market pressures including the subsequent drop in March 2020 of equity values which could mean that the funding level drops due to investments not performing as well as could be expected. In light of this it is proposed to retain the Pension Liability Reserve at this time.

10. As mentioned above, there are a number of uncertainties which could be a call on the General Fund Reserve. There are continued discussions around Cringle Dock and Riverside Energy Park with Cory. The full impact of Covid 19 on future operations is unknown including tonnage levels and there is uncertainty around Government policy on a number of waste related issues. Therefore a decision will be made when setting the 2021/22 rates regarding what further action to take with this balance. This could include a one off rebate to constituent councils.

RECOMMENDATIONS

11. The Authority is recommended to:

- a) note the outturn position for 2019/20 (Table 1);
- b) approve the carry over of budget for Recycle Western Riverside of £6,000 into 2020/21;
- c) approve the transfer of the in year surplus of £2,036,000 to the Stabilisation Reserve; and
- d) note the continued principle of the redemption of debt from reserves as far as practicable

Western Riverside Waste Authority
Smugglers Way , Wandsworth
Treasurer
LONDON SW18

CHRIS BUSS

22nd June 2020

Summary of Revenue Outturn 2019/20

ITEM	Revised Budget £000	Outturn £000	Variance £000	
<u>Direct Tonnage costs (AWDC)</u>				
<u>Operating Expenditure</u>				
General Waste	42,801	41,683	-1,118	
Co-mingled Recyclate	1,802	1,826	25	
Other	687	683	-4	
	<hr/>	<hr/>	<hr/>	
	45,290	44,192	-1,098	
<u>Direct Tonnage Income (AWDC)</u>				
TOTAL PER BOROUGH				
	Hammersmith & Fulham	-8,985	-9,060	-75
	Kensington & Chelsea	-9,615	-9,587	28
	Lambeth	-14,134	-14,122	12
	Wandsworth	-12,515	-12,668	-153
	<hr/>	<hr/>	<hr/>	<hr/>
	-45,249	-45,437	-188	
AWDC (surplus)/ deficit	41	-1,245	-1,286	
<u>LEVY cost</u>				
Employees	607	587	-20	
LPFA Levy	52	52	0	
Business Rates	547	547	0	
Administration & General -Legal/ Consultancy costs	345	337	-8	
Administration & General - Other direct costs	171	188	17	
Recycle Western Riverside	185	138	-47	
WBC Financial support	60	60	0	
WBC Admin support	25	27	2	
CA site Tonnage and running costs	2,518	2,197	-321	
Additional Costs/ Office refurbishment	156	106	-50	
Capital Financing	287	339	53	
Loan Repayment	5,500	5,500	0	
Total Cost	<hr/>	<hr/>	<hr/>	
	10,453	10,078	-375	
Westminster Council use of CA site	-224	-224	0	
Miscellaneous Income	-275	-462	-187	
Deferred Income recognition*	-250	-250	0	
Grant Income	0	-59	-59	
One off correction of Feather's Wharf rent	260	260	0	
Recharge to Cory	0	-261	-261	
Transfer from Reserves	-5,125	-5,125	0	
Levy Income	-4,793	-4,749	43	
Total Income	<hr/>	<hr/>	<hr/>	
	-10,407	-10,870	-463	
Levy (surplus)/ deficit	46	-792	-838	

Notes of Main Variances

CA site Tonnage and running costs (-£321,000)

The General Waste tonnage levels at the CA site were approximately 9% lower than expected when setting the budget generating an underspend of £130,000. The remaining underspend was attributed to slightly lower general office running costs than allowed for in the budget.

Administration and General – Legal/ Consultancy costs (-£8,000) and Recharges to Cory (-£261,000)

The Authority has incurred legal and consultancy costs relating to, amongst others, the Cringle Dock redevelopment and Riverside Energy Park proposals of £337,000 which was within the contingency level incorporated into the budget. All costs specific to individual projects have been recharged to respective third parties, generating a total underspend against the provision of £269,000.

Recycle Western Riverside (-£47,000)

There were delays to the completion of the schools 'What Happens to your recycling' video and part of the End of the Line for Waste campaign for which it is recommended that £6,000 of this underspend be carried forward.

Office Refurbishment Costs (-£50,000)

The office refurbishment came in under budget (-£50,000) for which there may be a final small charge once snagging is completed but this will be met from within existing approved 2020/21 budgets.

Miscellaneous Income (-£187,000)

Interest earned on balances invested with Wandsworth (-£77,000) and in the Diversified Income Fund (-£114,000) were higher than assumed when setting prudent budget levels. The impact of Covid 19 will mean that these levels are unlikely to be reached in 2020/21.

Grant Income (-£59,000)

The Authority was successful in securing £49,000 grant from Valpak for ReWork and an additional £10,000 from Resource London for Recycle Week.

Levy Income (+£43,000)

This variance reflects the refund provided to boroughs whilst the HWRC site was closed during the Covid-19 pandemic.

*Deferred Income Recognition – Members will remember that during 2018/19, the Authority received £3.5m from Cory after extensive negotiations around their refinancing which is to be recognised as £250,000 per year over the life of the contract.

Table 2

Outturn Tonnage for 2019/2020														
Hammersmith & Fulham					Kensington and Chelsea					Lambeth				
	2016/2017	2017/2018	2018/2019	2019/2020		2016/2017	2017/2018	2018/2019	2019/2020		2016/2017	2017/2018	2018/2019	2019/2020
Batteries	1	1	1	1	Batteries	-	-	-	-	Batteries	-	-	-	-
Clinical Waste	30	27	23	18	Clinical Waste	3	2	2	1	Clinical Waste	2	1	3	3
Co-Mingled	11,520	11,305	11,146	11,703	Co-Mingled	16,307	15,889	16,087	15,961	Co-Mingled	18,388	19,902	19,858	19,543
Detritus Waste	813	733	611	449	Detritus Waste	536	499	623	1,021	Detritus Waste	587	610	760	518
Electricals	44	15	9	20	Electricals	49	27	33	26	Electricals	194	172	122	113
Fridges	101	94	91	89	Fridges	64	61	64	51	Fridges	212	182	179	174
Gas Bottles	1	2	1	1	Gas Bottles	0	1	1	1	Gas Bottles	2	4	3	4
General Waste	60,602	58,478	57,772	56,021	General Waste	60,292	59,730	59,581	58,209	General Waste	92,784	89,451	89,226	86,536
Carpet	-	-	-	-	Carpet	-	-	-	-	Carpet	-	-	-	-
Green Waste	114	115	121	83	Green Waste	359	387	429	475	Green Waste	241	298	546	733
Inert Waste	-	-	-	5	Inert Waste	2	-	-	-	Inert Waste	10	-	1	2
Paint & Oil	-	-	0	-	Paint & Oil	-	-	-	-	Paint & Oil	-	-	-	-
Paper & Cardboard	-	-	-	-	Paper & Cardboard	-	-	-	-	Paper & Cardboard	321	484	439	423
Scrap Metals	11	13	4	19	Scrap Metals	1	1	1	0	Scrap Metals	150	115	112	114
Textiles	-	-	-	-	Textiles	-	-	-	-	Textiles	-	-	-	-
Tyres	0	0	0	1	Tyres	0	0	-	-	Tyres	8	12	12	8
Wood	-	-	-	-	Wood	-	1	1	1	Wood	273	245	251	140
Total	73,236	70,785	69,779	68,410	Total	77,613	76,597	76,822	75,746	Total	113,172	111,477	111,510	108,311
Contaminated Co-Mingled	1,616	1,593	1,693	1,594	Contaminated Co-Mingled	1,934	1,943	1,875	1,699	Contaminated Co-Mingled	2,556	3,276	3,257	2,796
Contamination Percentge	14.02%	14.09%	15.19%	13.62%	Contamination Percentge	11.86%	12.23%	11.66%	10.64%	Contamination Percentge	13.90%	16.46%	16.40%	14.31%
Wandsworth					WRWA					GRAND TOTAL				
	2016/2017	2017/2018	2018/2019	2019/2020		2016/2017	2017/2018	2018/2019	2019/2020		2016/2017	2017/2018	2018/2019	2019/2020
Batteries	0	-	-	-	Batteries	25	22	15	24	Batteries	25	23	15	25
Clinical Waste	60	65	64	66	Clinical Waste	-	-	-	-	Clinical Waste	95	96	92	88
Co-Mingled	20,180	19,900	20,173	20,355	Co-Mingled	339	437	601	538	Co-Mingled	66,733	67,433	67,864	68,099
Detritus Waste	2,482	2,539	2,992	2,841	Detritus Waste	-	-	-	-	Detritus Waste	4,418	4,380	4,986	4,829
Electricals	3	10	3	2	Electricals	806	738	751	726	Electricals	1,095	964	917	888
Fridges	123	100	96	153	Fridges	86	65	78	79	Fridges	587	503	507	546
Gas Bottles	1	2	1	1	Gas Bottles	-	19	15	-	Gas Bottles	5	27	21	6
General Waste	79,034	77,251	76,028	75,666	General Waste	11,792	10,749	9,713	8,865	General Waste	304,504	295,660	292,321	285,298
Carpet	-	-	-	-	Carpet	-	-	269	375	Carpet	-	-	269	375
Green Waste	552	503	340	449	Green Waste	3,217	3,065	3,190	3,171	Green Waste	4,483	4,368	4,626	4,911
Inert Waste	4	23	0	15	Inert Waste	1,061	1,212	1,624	1,677	Inert Waste	1,076	1,235	1,625	1,700
Paint & Oil	-	0	-	-	Paint & Oil	17	15	17	17	Paint & Oil	17	15	17	17
Paper & Cardboard	-	-	-	-	Paper & Cardboard	806	827	793	962	Paper & Cardboard	1,127	1,311	1,232	1,385
Scrap Metals	0	2	0	4	Scrap Metals	697	687	721	666	Scrap Metals	859	818	837	803
Textiles	-	-	-	-	Textiles	209	205	234	254	Textiles	209	205	234	254
Tyres	2	1	1	1	Tyres	-	-	0	-	Tyres	11	13	13	9
Wood	-	-	-	-	Wood	3,223	3,165	3,474	3,773	Wood	3,496	3,411	3,726	3,913
Total	102,442	100,395	99,698	99,551	Total	22,277	21,208	21,494	21,128	Total	388,741	380,462	379,303	373,146