

**ITEM 2****PAPER NO. WRWA 21-01****WESTERN RIVERSIDE WASTE AUTHORITY**

<b>MEETING</b>	26th January 2021
<b>REPORT AUTHOR/ DATE</b>	Treasurer (Chris Buss-Tel 0208 871 2788) 18th January 2021
<b>SUBJECT</b>	Report of the Treasurer on the Authority's Budget and Levy for 2021/22 and the prospects for 2022/23 and beyond.
<b>CONTENTS</b>	<p>Page 1 Executive summary and background</p> <p>Page 2 Experience in 2020/21</p> <p>Page 4 Proposals for 2021/22</p> <p>Page 7 AWDC Rates</p> <p>Page 10 The Levy</p> <p>Page 11 The General Reserve</p> <p>Page 11 Commodity Income</p> <p>Page 12 Summary of costs to constituent councils</p> <p>Page 12 Authority Budgets</p> <p>Page 13 Recommendations</p> <p>Page 14 Appendix A – Budgeted AWDC Costs and Income</p> <p>Page 16 Appendix B – Levy Charge</p> <p>Page 17 Appendix C – Budget Methodology</p> <p>Page 19 Appendix D - Total Costs to Constituent Councils</p> <p>Page 20 Appendix E - General Reserve Requirement for 2021/22</p>
<b>STATUS</b>	Open-circulation of this paper is not restricted.
<b>BACKGROUND PAPERS</b>	Budget Forecast Paper No. 20-27 including Appendices A - D – considered at the meeting of the Authority on 11th November 2020.

**This page has been left blank intentionally.**

## **EXECUTIVE SUMMARY AND BACKGROUND**

1. This budget report updates the budget forecast report considered at the Authority meeting on 11th November 2020 (Paper No. 20-27). The original budget of the Authority for 2020/21 is compared with the revised budget for the year and provides recommendations for the Levy and Apportionment of Waste Disposal Costs (AWDC) rates for 2021/22 and prospects for 2022/23-2024/25.
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. Household Waste and Recycling Centre 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 2021/22 are compared with the current year's rates at paragraph 18 for approval. Predicted rates for 2022/23 to 2024/25 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 21-03 on this agenda).
5. In the current financial year the Authority is forecasting the overall tonnage of general waste and co-mingled recyclables, delivered by the constituent councils, to reduce by 1.2 % and increase by 6.2% respectively compared to budget as a result of changes to behavioural habits during the Covid pandemic compared to the previous year (although there are large fluctuations across the constituent councils). Estimates set out in this paper do not incorporate any reduction to previous 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 Household Waste and Recycling Centre (HWRC) has experienced an overall decrease of around 6% compared to budget but since the

HWRC re-opened in May 2020 the tonnage of General Waste has increased by 26%. These estimates do not predict that this trend will continue and instead predict constant tonnage levels in future years.

## EXPERIENCE IN 2020/21

6. The Reserve balances 1<sup>st</sup> April 2020 were as follows:

General Fund Reserve	£3,313,000
Stabilisation Reserve	£10,186,000
Loan Repayment Reserve	£0
Recycling Reserve	£250,000
Pension Liability Reserve	£1,800,000
<b>Total Usable Reserves</b>	<b>£15,549,000</b>

7. 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. The underspend of just over £2m in 2019/20 was transferred to the Stabilisation Reserve in order to fund the planned subsidisation of the General Waste Rate, further detail below.
8. The Budget Forecast report (Paper No. WRWA 20-27) to the Authority meeting in November 2020 outlined the latest position regarding the 2020/21 budgets. The latest forecast incorporates the most up to date tonnage data (including November 2020) and electricity prices and is outlined in Appendix B to the General Manager's report (Paper No. WRWA 21-03 on this agenda) (Direct tonnage costs) and Appendix B to this report (Levy costs).
9. When the budget was set in February 2020, the general waste rate was set at a charge of £154.00 for the constituent boroughs in 2020/21. This price was set with an expected subsidisation from the Stabilisation Reserve of £4.19 per tonne equivalent to £1,176,000 from the reserve. The actual position is outlined in the Financial Summary at Appendix A which demonstrates the latest forecast for 2020/21 is very similar to that estimate with a deficit of around £1,199,000 on AWDC rates. The position reflects a difference of £0.03 on the General Waste Rate with electricity performing worse than expected but offset by slight changes in the other elements of the rate as outlined in the November paper. Electricity prices were predicted to average £46.77/MWh over the financial year (2.7% above the

predicted floor level) but the average price is now predicted to be at the floor level of £45.51/MWh all year based upon the demand for energy in the current climate.

10. Members will be aware that damage to the turbine at the Belvedere facility prevented the generation of electricity during the period 10<sup>th</sup> October 2018 to 29<sup>th</sup> May 2019. Discussions around the benefits for the Authority in relation to the insurance arrangements Cory entered into have been outlined to the Authority before. Agreement has now been reached and £3.005m has been received from Cory, provision for which has not been reflected in the accounts to date. This payment also reflects the benefit if RRRL had successfully achieved the '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. Similarly Triad payments were also due for the 2019/20 financial year when two of the three target dates were achieved, which has generated additional income from Cory of £1.4m. Triad payments are never assumed within the budget setting process.
11. As mentioned at the Authority meeting in November 2020, these payments will allow the Authority to top up the Loan Repayment Reserve to provide for the repayment of the remaining £3m PWLB loans in future years. This will remove the requirement for an annual Minimum Revenue Provision payment as outlined in the Treasury Management Paper (Paper No. WRWA 21-02) elsewhere on this agenda. It is therefore recommended that £3m be transferred into this reserve at the end of 2020/21 when the accounts are finalised. The figures outlined below assume this is approved.

## **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 £66.37 per MWh in 2020/21). However, below this threshold the Authority incurs a charge (up to a floor currently £45.51 per MWh in 2020/21). The 2020/21 budget assumed electricity prices on average 2.7% above the floor, or around £46.77/MWh on average, which resulted in an electricity charge to the Authority of £12.61 per tonne. Estimated electricity prices at the point the Budget Forecast paper was written were £45.51/MWh (the floor) based upon the demand for energy in the current climate – equal to £13.39 per tonne. This estimate

has not changed. As electricity prices have not reached the floor level, it is very unlikely that any Triad payments will be due in 2020/21.

## **PROPOSALS FOR 2021/22**

### **AWDC RATES**

13. The November 2020 estimates for 2021/22 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 2020, the latest mix of inflation indices and latest estimates around electricity.

### **Electricity**

14. 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 £67.64 per MWh in 2021/22). However, below this threshold the Authority incurs a charge (up to a floor expected to be £46.38 per MWh in 2021/22). The November forecast offered optimistic and pessimistic electricity cost scenarios ranging an average price of the floor to £0.34 above that floor which only affected the General Waste Rate by £0.22 per tonne. Estimates for the floor level now equal the optimistic scenario presented in November and therefore the budget now prudently estimates that prices remain at that 'floor' level, generating an average cost of £13.65 per tonne of general waste.
15. 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 2021/22 would be £161.50 per tonne or 5% above 2020/21 levels. This is slightly higher than outlined in the November forecast paper of £160.42 per tonne due to an estimated increase in inflation rates. 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 £157.00 per tonne. Based upon the current assumptions, this will require a subsidy of £4.53 per tonne or £1,268,000 from the reserve.

### **Co-mingled Recycling Rates**

16. The revised contract rate for co-mingled recycling outlined to the Authority in June 2020 will take effect from April 2021. Based upon the latest inflation estimates, the contract rate for 2021/22 is likely to be £50.54 per tonne. As outlined in the

November paper, as the Authority has reserves available to subsidise this rate as well as the General Waste rate, I am proposing to smooth the increase from the current charge of £28.00 per tonne to the new contract rate.

17. This budget therefore proposes a co-mingled charge of £29.00 per tonne for boroughs, requiring a £21.54 per tonne subsidy or £1,519,000 from the reserve. At this stage, an estimated smoothing of the rate over the next 5 years would require the following subsidy:

	Estimated contract rate	Borough Charge	Subsidy	Reserve use
	£/ tonne	£/ tonne	£/ tonne	£000
2021/22	50.54	29.00	21.54	1,519
2022/23	51.80	32.00	19.80	1,396
2023/24	53.10	39.00	14.10	994
2024/25	54.43	47.00	7.43	524
2025/26	55.79	55.79	-	-
<b>Total</b>				<b>4,433</b>

The overall impact of this proposal on reserves is outlined later in this paper in paragraph 32.

### All Rates

18. The Authority needs to approve a scale of rates for all waste streams managed for 2021/22. The current rates for 2020/21, the proposed rates for 2021/22 and predicted rates for 2022/23 to 2024/25 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 2021/22. 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	Rates per Tonne (£)								
	Current contract cost 2020/21	Market Variable	Current council charge 2020/21	Proposed contract cost 2021/22	Market Variable	Proposed council charge 2021/22 (exc. Market Variable if applicable)	Predicted contract cost 2022/23	Predicted contract cost 2023/24	Predicted contract cost 2024/25
General waste	158.33		154.00	161.53		157.00	165.56	169.70	173.95
Co-mingled recyclables <sup>1</sup>	27.73		28.00	50.54		29.00	51.80	53.10	54.43
Green waste <sup>2</sup>	66.17	36.75	103.00	64.20	31.00	64.50	65.80	67.45	69.13
Batteries	60.92		61.00	59.92		60.00	61.41	62.95	64.52
Clinical <sup>3</sup>	727.69		600.00	743.67		744.00	762.26	781.32	800.85
Detritus <sup>4</sup>	82.44		83.00	83.35		83.50	85.44	87.57	89.76
Electricals	52.75		53.50	51.18		51.50	52.46	53.77	55.11
Fridges	51.88		52.00	51.72		52.00	53.01	54.34	55.70
Gas Bottles	139.03		139.50	138.61		139.00	142.07	145.63	149.27
Glass	31.47	0.00	31.50	30.53	0.00	31.00	31.29	32.07	32.87
Inert	31.04		31.50	30.30		30.50	31.05	31.83	32.63
Oil/Paint	131.99		132.50	129.82		130.00	133.06	136.39	139.80
Paper/Cardboard	27.76	-10.00	18.00	26.94	-20.00	27.00	27.61	28.30	29.01
Scrap Metal	52.75	-75.47	-21.97	51.18	-85.00	51.50	52.46	53.77	55.11
Textiles	20.36	-230.00	-199.50	19.75	-95.00	20.00	20.25	20.75	21.27
Tyres	296.11		297.00	301.62		302.00	309.16	316.89	324.82
Wood	49.98	60.00	110.50	48.48	37.50	48.50	49.70	50.94	52.21
<b>Rate per percentage point of contamination</b>									
Co-mingled contamination	158.33		154.00	161.53		157.00	165.56	169.70	173.95

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

<sup>2</sup> Less £20 per tonne for constituent councils that deliver all their green waste to the Authority.

<sup>3</sup> Less £130 per tonne as negotiated with Cory for all clinical waste

<sup>4</sup>Assumes alternative outlet not available and return to WMSA rates

**This page has been left blank intentionally.**

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 2020/21 with no allowance for increases:

	Tonnes	General Waste	Co-mingled Recyclate	Other	Contamination	Total*
Hammersmith & Fulham		55,614	12,469	872	1,632	68,955
Kensington and Chelsea		46,521	12,464	1,370	1,390	60,354
Lambeth		88,722	22,135	1,980	3,163	112,837
Wandsworth		80,090	23,437	3,505	3,012	107,032

\*where the total excludes contamination as this is in effect a double count of co-mingled tonnage

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	87
Kensington and Chelsea	73
Lambeth	139
Wandsworth	126

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 £29.00 per tonne which is calculated at the end of Appendix A for information.

## THE LEVY

25. Appendix B details the Household Waste and Recycling Centre 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 £490,000 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, in particular the Residual Value Agreement and Riverside Energy Park.
26. A general principle when setting the annual budget is to reduce outstanding debt. As outlined in paragraph 11 above, it is proposed to use the insurance settlement funds from Cory to provide a cash backed reserve of £3.0 million in order to provide for the repayment of the outstanding PWLB loans. This will allow the annual revenue charge on interest due on PWLB loans to be reduced as loans continue to be repaid from cash backed reserves. This will also no longer require the £54,000 per year Minimum Revenue Provision charge each year.
27. The Levy requirement due in April 2021 for 2021/22 has therefore reduced slightly from 2020/21 original levels (prior to the rebate for the closure of the HWRC) to £4.405m which is a reduction of £73,000, or 1.6%. The charges to constituent councils compared to the original 2020/21 original Levy requirement are outlined in the table below. The estimates use provisional 2021/22 council tax-bases. Councils are required to notify their approved tax bases for 2021/22 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 2021/22 have been confirmed by the constituent councils.

	<b>2020/21</b>	<b>2021/22</b>
	<b>£'000</b>	<b>£'000</b>
Hammersmith & Fulham	848	839
Kensington and Chelsea	1,028	1,006
Lambeth	1,175	1,150
Wandsworth	1,426	1,411
<b>TOTAL</b>	<b>4,478</b>	<b>4,405</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 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 Household Waste and Recycling Centre 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.

#### RESERVE LEVELS

31. The estimated use of reserves of the proposals outlined in this paper, including subsidisation of the co-mingled rate per tonne as outlined above for the next 5 years and no further subsidy for the General Waste rate beyond 2022/23, is as follows

<b>Subsidy from Reserve</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
<b>£000</b>					
General Waste rate	1,199	1,268	1,559	-	-
Co-mingled	-	1,519	1,396	994	524
<b>Total</b>	<b>1,199</b>	<b>2,785</b>	<b>2,954</b>	<b>994</b>	<b>524</b>

32. The impact of the proposed subsidy and other use of reserves would mean the following predicted year end balances for the Authority's reserves:

<b>£000</b>	<b>01/04/20</b>	<b>01/04/21</b>	<b>01/04/22</b>	<b>01/04/23</b>	<b>01/04/24</b>	<b>01/04/25</b>
General Fund Reserve	3,313	3,313	3,313	3,313	3,313	3,313
Stabilisation Reserve	10,186	10,742	7,957	5,004	4,010	3,486
Loan Repayment Reserve	0	3,000	1,000	1,000	1,000	1,000
Recycling Reserve	250	225	200	175	150	125
Pension Liability Reserve	1,800	1,800	1,800	1,800	1,800	1,800
<b>Total Usable Reserves</b>	<b>15,549</b>	<b>19,080</b>	<b>14,270</b>	<b>11,292</b>	<b>10,273</b>	<b>9,724</b>

The Authority will have the opportunity to review annually the proposed reserve balances and to confirm or amend the planned use.

33. The current balance on the General Reserve is £3.3 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 2021/22 budget. These are detailed in Appendix F. It is proposed to therefore leave the General Fund Balance at a level of £3.3 million in 2021/22 in order to provide against general future uncertainty. The reserve balances will be reviewed again when the 2020/21 accounts are closed.

#### COMMODITY INCOME

34. As outlined in November, the revised agreement with Cory also incorporates an improved income arrangement. The Authority will receive 50% of the commodity income over a basket price of £25, the gate fee would be reduced by £1.50 if commodity income was higher than £65 per tonne and again by a further £1.00 if commodity income exceeded £75 per tonne. No assumptions have been made within the budget for any income to be generated. All income will be retained by the Authority. If prices rise so much that these exceed the subsidy put in place by the Authority, this excess will then be transferred to the boroughs. Constituent councils are advised to make their own assumptions regarding income levels for the year bearing this in mind.

## SUMMARY OF COSTS TO CONSTITUENT COUNCILS

35. Constituent councils are forecast to incur the following costs in 2021/22 based on the recommended Levy and 2020/21 tonnage levels at the proposed AWDC charges:

	<b>AWDC Charges £'000</b>	<b>Annual Levy £'000</b>	<b>Total £'000</b>
Hammersmith & Fulham	9,430	839	10,269
Kensington and Chelsea	8,005	1,006	9,010
Lambeth	15,207	1,150	16,356
Wandsworth	14,064	1,411	15,475
<b>Total</b>	<b>46,706</b>	<b>4,405</b>	<b>51,111</b>

The comparative figures for 2020/21 based on the original budget as reported in February 2020 are shown below:

	<b>AWDC Charges £'000</b>	<b>Annual Levy £'000</b>	<b>Total £'000</b>
Hammersmith & Fulham	9,133	848	9,981
Kensington and Chelsea	9,673	1,028	10,701
Lambeth	14,301	1,175	15,476
Wandsworth	12,459	1,426	13,885
<b>Total</b>	<b>45,566</b>	<b>4,478</b>	<b>50,044</b>

## AUTHORITY BUDGETS

36. The original and revised overall Authority budget for 2020/21, the proposed budget for 2021/22 and predicted budget for 2022/23 are shown in the Appendices with the budget methodology at Appendix C. The estimated gross cost for the Authority for 2021/22 compared to the amount as at Levy setting in 2020 for 2020/21 is shown below:

	<u>£'000s</u>
Gross Expenditure 2021/22	54,627
Gross Expenditure 2020/21	<u>52,662</u>
Increase	1,965
Percentage increase	<u>3.7%</u>

The total budgeted and predicted costs to individual constituent councils are shown for the period from 2020/21 to 2022/23 in Appendix E.

### **CIPFA CODE OF FINANCIAL MANAGEMENT**

37. The Authority received Paper No. WRWA 20-04 in January 2020 outlining CIPFA's new Financial Management Code based on six principles: Leadership, Accountability, Transparency, Standards, Assurance and Sustainability. These are then measured through seventeen financial management standards. The management team have considered this for the 2021/22 financial year and confirm that no changes are required.

### **RECOMMENDATIONS**

38. The Authority is recommended to:

- (a) approve a revised gross expenditure budget for the Authority of £51.7 million for 2020/21 (£47.0m directly determined by direct tonnage delivered and £4.7 million paid for by the Levy) and £54.6 million for 2021/22 (£49.5 million directly determined by direct tonnage delivered and £5.1 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 2021/22 as detailed on page 6;
- (c) approve the transfer of £3.0 million from the proposed underspend as a result of the finalisation of the insurance dispute to the Loan Repayment Reserve;
- (d) approve the basis of cost recovery as set out in the report, including the residual Levy figure of £4.405 million for 2021/22 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 2021/22; and
- (e) approve the Authority's proposed use of reserves for the period to 2024/25, which will be subject to review annually when budgets are set.

-----  
Western Riverside Administration Office  
Smugglers Way  
Wandsworth  
SW18 1JS  
18th January 2021

CHRIS BUSS  
Treasurer

## APPENDIX A

**Budgeted AWDC Costs and Income**

<u>Direct Tonnage costs (AWDC)</u> (tonnage assumed to remain constant)	<b>2020/21</b> <b>Budget</b> <b>£000</b>	<b>2020/21</b> <b>Revised</b> <b>£000</b>	<b>2021/22 as</b> <b>Predicted Dec</b> <b>£000</b>	<b>2021/22 as</b> <b>Predicted Dec</b> <b>£000</b>	<b>2021/22</b> <b>Budget</b> <b>£000</b>	<b>2022/23</b> <b>Predicted</b> <b>£000</b>
<u>Operating Expenditure</u>			Optimistic – less subsidy	Pessimistic – large subsidy		
General Waste	44,889	44,355	44,607	44,547	45,250	46,382
Co-mingled Recyclate	1,856	1,955	3,544	3,544	3,563	3,652
Other	703	675	659	659	677	693
	47,448	46,986	48,810	48,751	49,491	50,727
<u>Direct Tonnage Income (AWDC)</u>						
General Waste						
Hammersmith & Fulham	-8,569	-8,565	-8,794	-8,710	-8,731	-8,898
Kensington & Chelsea	-8,962	-7,164	-7,121	-7,054	-7,304	-7,443
Lambeth	-13,351	-13,663	-13,996	-13,863	-13,929	-14,196
Wandsworth	-11,516	-12,334	-12,700	-12,580	-12,574	-12,814
Co-mingled Recyclate						
Hammersmith & Fulham	-324	-349	-448	-413	-362	-399
Kensington & Chelsea	-450	-349	-440	-405	-361	-399
Lambeth	-536	-620	-805	-742	-642	-708
Wandsworth	-556	-656	-845	-779	-680	-750
Contamination*						
Hammersmith & Fulham	-240	-251	-255	-253	-256	-261
Kensington & Chelsea	-261	-214	-208	-206	-218	-222
Lambeth	-413	-487	-509	-504	-497	-506
Wandsworth	-387	-464	-491	-486	-473	-482
Other						
Hammersmith & Fulham	-53	-79	-58	-58	-81	-83
Kensington & Chelsea	-155	-122	-121	-121	-121	-124
Lambeth	-164	-141	-155	-155	-139	-142
Wandsworth	-334	-328	-327	-327	-337	-345
	-46,272	-45,787	-47,272	-46,655	-46,706	-47,773
AWDC (surplus)/ deficit	1,176	1,199	1,538	2,095	2,785	2,954

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 Co-mingled rate of £29.00 per tonne (2021/22 rates) which is analysed as follows for 2021/22:

	£'000
Hammersmith & Fulham	47
Kensington and Chelsea	40
Lambeth	92
Wandsworth	87

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

LEVY cost	2020/21	2020/21	2021/22 as	2021/22 as	2021/22	2022/23
	Budget	Revised	Predicted	Predicted	Budget	Predicted
	£000	£000	Dec £000	Dec £000	£000	£000
			Optimistic	Pessimistic		
Employees	625	600	646	604	618	630
LPFA Levy	53	4	4	4	4	4
Business Rates	556	525	543	543	525	536
Administration & General -Legal/ Consultancy costs	480	480	480	480	490	499
Administration & General - Other direct costs	239	225	225	225	234	239
WBC Financial support	62	62	63	63	64	65
WBC Admin support	26	26	26	26	27	28
CA site Tonnage and running costs	2,991	2,651	2,961	2,961	3,076	3,026
Capital Financing	182	128	153	153	99	37
<b>Total Cost</b>	<b>5,214</b>	<b>4,701</b>	<b>5,101</b>	<b>5,058</b>	<b>5,136</b>	<b>5,063</b>
Miscellaneous Income	-461	-538	-350	-350	- 456	- 350
Deferred Income	-	-250	-250	-250	-250	-250
Transfer from Reserves	-25	-25	-25	-25	-25	-25
Insurance and Triad Income from prior yrs	-	-4,388	-	-	-	-
<b>Levy Income</b>	<b>-4,478</b>	<b>-4,255</b>	<b>-4,476</b>	<b>-4,433</b>	<b>-4,405</b>	<b>-4,438</b>
<b>Total Income</b>	<b>-5,214</b>	<b>-9,456</b>	<b>-5,101</b>	<b>-5,058</b>	<b>-5,136</b>	<b>-5,063</b>
Levy (surplus)/ deficit	0	-4,755	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 2021/22.

General waste charges. General Waste tonnages delivered by constituent councils in 2020/21 have reduced slightly in the current financial year compared to the previous year but there are significant fluctuations across the constituent councils. Tonnages received at the Household Waste and Recycling Centre have reduced by around 6% compared to budget, largely due to the period of closure during the first Lockdown period. Electricity is currently a charge to the Authority at an estimated £13.39 per tonne in 2020/21.

Recycling and minor waste streams. Recycling tonnages are forecast to be slightly higher than budgeted levels in 2020/21 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 2020/21 is 51.2p in the pound plus a supplement of 2p. Rates budgets reflect the proposed freeze in the national multiplier in 2021/22 and an allowance for potential local supplements.

Administration & General. Administration costs include the revised budgeted programme for the Recycle Western Riverside 2021/22 programme and project costs of £45,000 (as outlined in Paper No. WRWA 20-25) with a contribution of up to £25,000 from the Recycling Reserve if more than £20,000 is spent. The Administration & General costs include a provision of £490,000 consultancy and legal advice in relation to discussions with Cory around the future Residual Value Agreement and Riverside Energy Park and with 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 excludes a technical adjustment for the repayment of debt (MRP provision) as it is proposed to reinstate the Loan Repayment Reserve.

Miscellaneous Income. £261,000 reflects the 2021/22 level of income from Westminster Council for the use of the Household Waste and Recycling Centre. An amount is also included in the budget for the rental income for the Feather's Wharf site in 2021/22. 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 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>2020/21 Original Budget</b>			
Hammersmith & Fulham	9,133	848	9,981
Kensington and Chelsea	9,673	1,028	10,701
Lambeth	14,301	1,175	15,476
Wandsworth	12,459	1,426	13,885
<b>Total</b>	<b>45,566</b>	<b>4,478</b>	<b>50,044</b>
<b>2020/21 Revised Budget</b>			
Hammersmith & Fulham	9,244	815	10,060
Kensington and Chelsea	7,849	977	8,826
Lambeth	14,911	1,117	16,028
Wandsworth	13,782	1,355	15,138
<b>Total</b>	<b>45,787</b>	<b>4,255</b>	<b>50,042</b>
<b>2021/22 Budget</b>			
Hammersmith & Fulham	9,430	839	10,269
Kensington and Chelsea	8,005	1,006	9,010
Lambeth	15,207	1,150	16,356
Wandsworth	14,064	1,411	15,475
<b>Total</b>	<b>46,706</b>	<b>4,405</b>	<b>51,111</b>
<b>2022/23 Predicted</b>			
Hammersmith & Fulham	9,558	845	10,404
Kensington and Chelsea	8,065	1,013	9,078
Lambeth	15,410	1,158	16,568
Wandsworth	14,046	1,421	15,468
<b>Total</b>	<b>47,079</b>	<b>4,438</b>	<b>51,517</b>

**APPENDIX E****GENERAL RESERVE REQUIREMENT 2021/22**

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 2021/22 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 2021/22 represents approximately 6% of gross expenditure.