

ITEM 5

PAPER NO. WRWA 22-10

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	23rd June 2022
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 875 2788) 15th June 2022
SUBJECT	Report of the Treasurer on the Authority’s Outturn position for 2021/22.
CONTENTS	Page 1 Executive Summary and Background Page 4 Recommendations Page 5 Table 1 - Outturn position Page 7 Table 2 - Tonnage data for 2021/22
STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	No background papers were used in the production of this report

Please note that this page has been left blank intentionally.

EXECUTIVE SUMMARY AND BACKGROUND

1. The outturn position, showing the Authority’s actual income and expenditure when compared to the revised budget for 2021/22 is presented for information to this Authority meeting. As per 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 2022. However, the Accounts and Audit (Amendment) Regulations 2021 have delayed that date for both the 2020/21 and 2021/22 accounts to 30 November, with a set of accounts presented to the auditor and signed by the Treasurer by 30 September. The Authority has produced a draft set of accounts which have been provided to the auditor and the audit is due to commence on 21st June. It is anticipated that the full audited set of accounts will be presented to the September Authority meeting.

ACCOUNTS 2021/22

2. The outturn position prior to Audit against the revised budget is detailed at Table 1 for information. The net position for Operating expenditure (direct tonnage charges to boroughs) is a surplus of £928,000. This is better than expected when setting the revised budget in January, largely due to improved electricity prices which (amongst other minor changes) reduced the General Waste cost by around £750,000 (further information regarding the electricity price is outlined below).

3. The Authority is also expecting to receive £684,000 of ‘Triad’ and other end of year power adjustments which are awarded if RRRL meet the specific energy supply targets set by the National Grid. As this is uncertain, this is never assumed at budget setting time and therefore contributes to the underspend compared to budget. In addition the Authority receives a proportion of commodity income generated by recycle which was expected to be around £1.5m when the budget was revised in January. This has been over-achieved by £134,000. When setting the recharge rate for mixed recycle for 2021/22 the Authority assumed it would retain all recycle income on the assumption that this would be less than the overall cost of subsidising the co-mingled rate. During the year the value of the subsidy was £1.476m compared to recycle income of £1.634m and accordingly the resulting difference will be paid back to the constituent Councils in proportion to their tonnage of mixed recycle after allowing for contamination, as set out below:

Borough	Clean Co-mingled Tonnage	Percentage	Value
Hammersmith & Fulham	9,994	17.1%	£27,051
Kensington & Chelsea	12,460	21.3%	£33,726
Lambeth	17,288	29.6%	£46,794
Wandsworth	18,759	32.1%	£50,776
TOTAL	58,500	100.0%	£158,347

4. General running costs and HWRC site costs resulted in a surplus of £1,771,000 during the year compared to the January forecast of £363,000 - an improvement of £1,408,000. The surplus is due to HWRC site running costs being under budget by £861,000, reflecting lower general office running costs and lower tonnage levels than expected. The Authority

incurred reduced legal and consultancy costs relating to, amongst others, the Riverside Energy Park proposals, insurance and Cringle dock negotiations (-£331,000). These costs are anticipated to be needed in the current year and it is recommended that this underspend be added to the 2022/23 running cost budget and therefore this sum remain in the General Fund Reserve in order to fund it. In addition, there was lower expenditure on the 3R's communications programme within the Administration and General costs line. The programme budget is largely to develop communications, including face to face interactions at the HWRC which have not been able to progress during the year due to Covid-19 restrictions. Limited expenditure has therefore been incurred in year. The 2022/23 annual budget of £45,000 which includes a £25,000 contingency again is expected to be sufficient and therefore it is not proposed to carry forward any budget this time.

OUTLOOK FOR 2022/23 AND FUTURE YEARS

5. When setting the rates in January 2022 for 2022/23 (Paper No. WRWA 22-03) the General Waste rate was set at £160.00 based upon the latest projections for electricity and inflation indexation at that time. This assumed a subsidy of £3.41 per tonne or £947,500 use of the reserve.
6. The electricity generated at the Belvedere EfW plant forms part of the General Waste rate charged by Cory within the contract. The Authority receives income from the electricity generated if the market price exceeds the 'threshold' (uplifted under the terms of the contract, currently £72.12 per MWh in 2022/23). However, below this threshold the Authority incurs a charge (up to a floor currently £49.46 per MWh in 2022/23).
7. So far in 2022/23, RRRL charged the authority £58.92 per MWh in April which was above the budgeted level. The budget assumed an average just above that at £61.79 (there is a marked market difference between summer, April to September, and winter, October to March, prices). Wholesale electricity prices have reached very high levels recently driven by a rise in demand as the economy began to recover from the pandemic and also by the impact of the Russia-Ukraine conflict. In order to provide more budget certainty for Cory (and the Authority), Cory hedges electricity generation by securing forward trades. Around 85% of 2022/23 expected production was hedged during 2021 before the rapid rise in market prices. However, the remaining production should be sold at higher prices and the final annual average may rise significantly. However, at this stage, it is prudent to expect that the budgeted assumption is sound as we are at very early stages in the financial year. It is therefore highly likely that the budgeted contribution from the reserve will be more than sufficient.
8. The rate set for boroughs for co-mingled recycling in January 2022 of £32.00 (Paper No. WRWA 22-03) assumed a £22.71 per tonne subsidy or £1,604,500 use of the reserve. Inflation rates have been finalised since that time and the subsidy is now marginally lower at £21.73 per tonne. Commodity prices continue to be at a reasonable level and, under the value sharing arrangement the Authority received a payment of £173,000 in April 2022.

9. When setting the budget, a number of potential costs of a capital nature were identified in the near to mid future, some of which relate to legislative changes arising from the Environment Act 2021. Although the government has indicated that these will be cost neutral to Local Authorities there is at present no clear indication as to how any additional costs will be reimbursed if and when they are incurred by the Authority. Examples of costs include providing facilities for the handling of food and/or garden waste. In addition, the Authority will at some stage need to facilitate the redevelopment or reconfiguration of its transfer stations. The costs of these would, if directly met by the Authority, fall on the Levy and be borne by the constituent councils. To try to mitigate future costs it is proposed to create a capital reserve which will be used to reduce future Levy costs. The remaining surplus after the amount to be refunded to boroughs and underspend for use on consultants of £2,210,000 will be transferred to a new capital reserve to be used to either meet the direct cost of works or to assist in financing costs if works are funded through borrowing. This will leave the General Reserve at the figure set when the 2021/22 budget was set in January 2022.
10. The position for 2023/24 and future years is very uncertain. The current high level of inflation will feed into the contract rate paid for general waste because much of that rate is linked to RPI-X increases. This may be offset in part or in full by increased income from electricity for 2023/24, but if electricity prices revert to previous levels, then the cost born by the Authority for processing waste will increase and will, unless the Authority uses the Stabilisation Reserve to mitigate this in the short term, mean significant cost increases for the boroughs in 2023/24. There will be greater clarity on this during the year as forward sales of electricity are made.

RESERVES POLICY

11. 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 2022 is as follows:
- General Fund Reserve - £3,801,000; this is made up of £3,311,000 brought forward plus £158,347 to be refunded to boroughs in 2022/23 and £331,000 underspend on consultants for use in 2022/23.
 - Stabilisation Reserve - £9,575,000; 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. This may be required to deal with mitigating future cost increases in 2023/24.
 - Loan Repayment Reserve - £1,000,000; £2,000,000 of this reserve has been used to repay one loan during 2021/22, leaving a balance of £1,000,000. This reserve will be used to fund the repayment of the outstanding PWLB loan, which means that no annual Minimum Revenue Provision (MRP) needs to be charged annually.
 - Capital Reserve - £2,210,000; Created by this year's underspend and for use as agreed in the 2022/23 budget setting paper.
 - 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 annually if required. As the Recycle Western Riverside programme has underspent,

this reserve has not been drawn upon. 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 2023.

- 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. The actuary will undertake a revised valuation during the current year for the period to March 2022 and in light of this it is proposed to retain the Pension Liability Reserve at this time.

12. As mentioned above, the 2022/23 budget agreed the subsidisation of both the General Waste rate and the Co-mingled Recycling rate, calling on the Stabilisation Reserve to do so. As part of the budget setting the Authority agreed to a phased draw down of reserves to enable borough funded cost increases to be subsidised. This planned draw down was estimated to reduce the stabilisation reserve by £4,158,000 by 2024/25. Based on current estimates of electricity prices, the £947,000 assumed for the General Waste rate subsidisation may not be required, however, this will continue to be kept under review with an update in the forecast and budget setting papers later in the year.

13. There are a number of uncertainties which could also be a call on the General Fund Reserve. There are continued discussions around Cringle Dock and Riverside Energy Park with Cory. There is some degree of uncertainty around Government policy on a number of waste related issues which are currently out to consultation. Therefore at this stage, the balance of £3,311,000 after rebates to boroughs and 2022/23 budgeted use is prudent for these risks but again this balance will be reviewed again when setting the 2023/24 rates.

RECOMMENDATIONS

14. The Authority is recommended to:

- a) note the outturn position for 2021/22 (Table 1);
- b) approve the carry over of £331,000 unused budget on consultants into 2022/23;
- c) note the transfer of £2,210,000 to a new Capital 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
LONDON SW18

CHRIS BUSS
Treasurer

15th June 2022

Summary of Revenue Outturn 2021/22

ITEM	Revised Budget £000	Outturn £000	Variance £000
<u>Direct Tonnage costs (AWDC)</u>			
<u>Operating Expenditure</u>			
General Waste	45,629	44,108	-1,521
Co-mingled Recyclate	3,567	3,467	-100
Other	526	562	36
Recyclate Income	-1,500	-1,634	-134
	48,222	46,503	-1,719
<u>Direct Tonnage Income (AWDC)</u>			
TOTAL PER BOROUGH			
Hammersmith & Fulham	-9,535	-9,430	105
Kensington & Chelsea	-9,165	-9,217	-52
Lambeth	-15,114	-14,994	120
Wandsworth	-14,036	-13,790	246
	-47,850	-47,431	419
AWDC (surplus)/ deficit	372	-928	-1,300
<u>LEVY cost</u>			
Employees	616	527	-88
LPFA Levy	4	0	-4
Business Rates	525	519	-6
Administration & General -Legal/ Consultancy costs	490	320	-170
Administration & General - Other direct costs	214	147	-67
WBC Financial support	64	64	0
WBC Admin support	27	27	0
HWRC site Tonnage and running costs	2,836	1,976	-861
Capital Financing	99	99	0
Loan Repayment	0	2,000	2,000
Total Cost	4,875	5,678	804
Westminster Council use of HWRC site	-261	-266	-5
Miscellaneous Income	-297	-361	-64
Deferred Income recognition*	-250	-250	0
Grant Income	0	-6	-6
Recharge to Cory	0	-161	-161
Transfer from Reserves	-25	-2,000	-1,975
Levy Income	-4,405	-4,405	0
Total Income	-5,238	-7,450	-2,212
Levy (surplus)/ deficit	-363	-1,771	-1,408

Notes of Main Variances

HWRC site Tonnage and running costs (-£861,000)

The General Waste tonnage levels at the HWRC site were slightly lower than that expected when setting the budget in relation to general, green and wood waste (-£167,000). The rest of the underspend was attributed to lower general office running costs than allowed for in the budget.

Administration and General – Legal/ Consultancy costs (-£170,000) and Recharges to Cory (-£161,000)

The Authority has incurred legal and consultancy costs relating to, amongst others, the Riverside Energy Park proposals and Insurance negotiations of £320,000 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 £331,000.

Loan Repayment (+£2,000,000) and Transfer from Loan Repayment Reserve (-£2,000,000)

One of the Authority's Public Works Loan Board loans for £2,000,000 was due to be repaid during the year which has been funded through the specific reserve set up for this purpose. These transactions are shown here through the revenue account in accordance with proper accounting practice but net to nil overall.

*Deferred Income Recognition – As outlined in previous papers, 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 2021/2022

Hammersmith & Fulham

	2018/2019	2019/2020	2020/2021	2021/2022
Batteries	1	1	0	0
Clinical Waste	23	18	16	14
Co-Mingled	11,146	11,703	12,573	12,030
Detritus Waste	611	449	463	434
Electricals	9	20	10	13
Fridges	91	89	81	88
Gas Bottles	1	1	1	1
General Waste	57,772	56,021	55,590	55,435
Glass	-	-	-	-
Green Waste	121	83	98	78
Inert Waste	-	5	-	-
Paint & Oil	0	-	-	0
Paper & Cardboard	-	-	-	-
Scrap Metals	4	19	10	16
Textiles	-	-	-	-
Tyres	0	1	0	2
Wood	-	-	-	-
Total	69,779	68,410	68,843	68,112

Contaminated Co-Mingled	1,693	1,594	1,752	2,036
Contamination Percentage	15.19%	13.62%	13.93%	16.93%

Wandsworth

	2018/2019	2019/2020	2020/2021	2021/2022
Batteries	-	-	-	-
Clinical Waste	64	66	65	75
Co-Mingled	20,173	20,355	23,577	21,842
Detritus Waste	2,992	2,841	2,861	2,613
Electricals	3	2	4	1
Fridges	96	153	75	59
Gas Bottles	1	1	1	1
General Waste	76,028	75,666	80,509	78,795
Glass	-	-	-	-
Green Waste	340	449	365	325
Inert Waste	0	15	4	-
Paint & Oil	-	-	-	-
Paper & Cardboard	-	-	2	-
Scrap Metals	0	4	7	-
Textiles	-	-	-	-
Tyres	1	1	1	1
Wood	-	-	-	-
Total	99,698	99,551	107,470	103,711

Contaminated Co-Mingled	2,852	2,602	3,181	3,084
Contamination Percentage	14.14%	12.78%	13.49%	14.12%

Kensington and Chelsea

	2018/2019	2019/2020	2020/2021	2021/2022
Batteries	-	-	-	-
Clinical Waste	2	1	1	1
Co-Mingled	16,087	15,961	12,528	14,076
Detritus Waste	623	1,021	806	707
Electricals	33	26	32	15
Fridges	64	51	39	45
Gas Bottles	1	1	1	2
General Waste	59,581	58,209	46,755	53,842
Glass	-	-	-	-
Green Waste	429	475	495	514
Inert Waste	-	-	2	-
Paint & Oil	-	-	0	-
Paper & Cardboard	-	-	-	-
Scrap Metals	1	0	-	4
Textiles	-	-	-	-
Tyres	-	-	0	-
Wood	1	1	-	-
Total	76,822	75,746	60,660	69,206

Contaminated Co-Mingled	1,875	1,699	1,382	1,616
Contamination Percentage	11.66%	10.64%	11.03%	11.48%

WRWA

	2018/2019	2019/2020	2020/2021	2021/2022
Batteries	15	24	32	26
Clinical Waste	-	-	-	-
Co-Mingled	601	538	373	407
Detritus Waste	-	-	-	-
Electricals	751	726	792	673
Fridges	78	79	74	56
Gas Bottles	15	-	16	24
General Waste	9,713	8,865	9,504	7,939
Glass	269	375	365	281
Green Waste	3,190	3,171	3,099	2,647
Inert Waste	1,624	1,677	1,891	1,508
Paint & Oil	17	17	16	39
Paper & Cardboard	793	962	1,171	1,023
Scrap Metals	721	666	699	684
Textiles	234	254	287	260
Tyres	0	-	-	12
Wood	3,474	3,773	3,808	3,298
Total	21,494	21,128	22,129	18,877

Contaminated Co-Mingled	88	69	52	60
Contamination Percentage	14.57%	12.84%	13.90%	14.84%

Lambeth

	2018/2019	2019/2020	2020/2021	2021/2022
Batteries	-	-	-	-
Clinical Waste	3	3	4	6
Co-Mingled	19,858	19,543	22,317	20,728
Detritus Waste	760	518	542	562
Electricals	122	113	106	70
Fridges	179	174	172	151
Gas Bottles	3	4	1	2
General Waste	89,226	86,536	88,694	87,517
Glass	-	-	-	-
Green Waste	546	733	608	574
Inert Waste	1	2	-	5
Paint & Oil	-	-	-	6
Paper & Cardboard	439	423	423	323
Scrap Metals	112	114	62	61
Textiles	-	-	-	-
Tyres	12	8	5	7
Wood	251	140	-	58
Total	111,510	108,311	112,934	110,069

Contaminated Co-Mingled	3,257	2,796	3,233	3,439
Contamination Percentage	16.40%	14.31%	14.49%	16.59%

GRAND TOTAL

	2018/2019	2019/2020	2020/2021	2021/2022
Batteries	15	25	32	26
Clinical Waste	92	88	87	96
Co-Mingled	67,864	68,099	71,368	69,082
Detritus Waste	4,986	4,829	4,672	4,316
Electricals	917	888	944	772
Fridges	507	546	440	400
Gas Bottles	21	6	20	30
General Waste	292,321	285,298	281,052	283,526
Glass	269	375	365	281
Green Waste	4,626	4,911	4,665	4,139
Inert Waste	1,625	1,700	1,897	1,513
Paint & Oil	17	17	16	45
Paper & Cardboard	1,232	1,385	1,595	1,346
Scrap Metals	837	803	779	764
Textiles	234	254	287	260
Tyres	13	9	7	22
Wood	3,726	3,913	3,808	3,356
Total	379,303	373,146	372,036	369,975

Contaminated Co-Mingled	9,764	8,760	9,600	10,235
Contamination Percentage	14.39%	12.86%	13.45%	14.82%