

PAPER NO. WRWA **23-13**

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	14th June 2023
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 875 2788) 6th June 2023
SUBJECT	Report of the Treasurer on the Authority's Outturn position for 2022/23.
CONTENTS	Page 1 Executive Summary and Background Page 4 Recommendations Page 5 Table 1 - Outturn position Page 7 Table 2 - Tonnage data for 2022/23
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 revised budget for 2022/23 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. Due to the Covid Pandemic this deadline was moved 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. For 2022/23 that date has been moved to 30 September, with a set of accounts presented to the auditor and signed by the Treasurer by 31st May. The Authority has produced a draft set of accounts which will be provided to the auditor and the audit is due to commence on 12th June. It is anticipated that the full audited set of accounts will be presented to the September Authority meeting.

ACCOUNTS 2022/23

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 £3,814,000 including recycle income. This is similar to the £3,244,000 surplus expected when setting the revised budget in January.
3. The Authority is also expecting to receive £1,386,000 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 also 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 £1.2m when the budget was revised in January. This has been largely achieved with an income of £1,157,000. When setting the recharge rate for mixed recycle for 2022/23 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 budgeted value of the subsidy was £1.605m compared to recycle income of £1.157m and as per the January budget paper, it was agreed that this income would be retained to top up the Capital Reserve at the end of the year.
4. General running costs and HWRC site costs resulted in a surplus of £4,054,000 during the year compared to the January forecast of £559,000 - an improvement of £3,496,000. The surplus is due to the receipt of the triad income as outlined above and HWRC site running costs being under budget by £737,000, reflecting lower general office running costs and lower tonnage levels than expected. The Authority incurred reduced legal and consultancy costs relating to work on the procurement and waste strategies, energy levy and Cringle dock negotiations (-£678,000). These costs are anticipated to be needed in the current year and it is recommended that this underspend be added to the 2023/24 running cost budget and therefore this sum remain in the General Fund Reserve in order to fund it. Miscellaneous income largely relates to improved income on balances and investments amounting to £450,000 (£140,000 budgeted). These higher rates of return were reflected in the 2023/24 budget setting. In addition the Authority accounted for the

deferred receipt of £175,000 from the payment received in respect of the Riverside Energy Park.

OUTLOOK FOR 2023/24 AND FUTURE YEARS

5. When setting the rates in February 2023 for 2023/24 (Paper No. WRWA 23-01) the General Waste rate was set to remain at £160.00 based upon the latest projections for electricity and inflation indexation at that time. This assumed a subsidy of £5.28 per tonne or £1,416,000 use of the reserve. It is therefore proposed (as outlined in the February paper) that £1,416,000 of this year's underspend be transferred to the Stabilisation Reserve to fund this subsidy.
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 £80.80 per MWh in 2023/24). However, below this threshold the Authority incurs a charge (up to a floor currently £55.41 per MWh in 2023/24). The budget assumed energy being sold at £100 per MWh. There has been limited trading since April, based in part to Cory being unable to sell electricity for a period during which work were being undertaken by the National Grid. However, the Authority receives a monthly update on sales trends and these indicate that energy prices, although falling compared to the peaks of last year, remain above historic norms and as such the £100 estimate used in the budget is not likely to be an underestimate.
7. The rate set for boroughs for Co-mingled recycling in January 2023 of £32.00 (Paper No. WRWA 23-01) assumed a £28.57 per tonne subsidy or £1,753,000 use of the reserve. Inflation rates have been finalised since that time and the subsidy is now marginally lower at £26.03 per tonne. Commodity prices continue to be at a modest level and, under the value sharing arrangement the Authority received a payment of £23,000 in April 2023.
8. The Authority has at present no Capital Programme. However, as a result of legislative changes (the Environment Act 2021) and in preparation for the procurement of services post 2032, it is highly likely that the Authority will incur capital costs either in the purchase and construction of new land and facilities or upgrading existing facilities. 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 the Authority has created a capital reserve which will be used to reduce future Levy costs. The remaining surplus after the transfer to the Stabilisation Reserve outlined above and the amount carried over for use on consultants of £678,000 will be transferred to the 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 (£5,774,000). This will leave the General Reserve at the figure set when the 2023/24 budget was set in January 2023.
9. 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

10. 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 2023 is as follows:

- General Fund Reserve -£4,479,000; this is the brought forward balance of £3,803,000 plus the carry forward of £678,000 to fund additional legal and consultancy costs in 2023/24.
- Stabilisation Reserve - £10,991,000; 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 has been topped up by the budgeted £1,416,000 subsidisation of the General Waste rate in 2023/24. As outlined at budget setting, expected use of this reserve over the next 3 years for subsidisation of rates is £5,022,000 with the remainder available for further flexibility.
- Loan Repayment Reserve - £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 - £7,984,000; Topped up by this year’s underspend and for use for future capital costs as agreed in Paper No. WRWA 22-03 when the 2022/23 budget was set and outlined again above.
- 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 2024.
- 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 2022, the Authority’s element of the LPFA fund was over 128% 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 which could mean that the funding level drops due to investments not performing as well as could be expected – for example, high levels of inflation have resulted in a decrease in the fund surplus of £240m since the previous valuation. In light of this it is proposed to retain the Pension Liability Reserve at this time. The actuary undertakes a revaluation every three years and the level of this reserve will be reviewed alongside that information.

11. There are a number of uncertainties which could also be a call on the General Fund Reserve. There are continued discussions around Cringle Dock which may require the use of reserves. In addition, there is some degree of uncertainty around Government policy on a number of waste related issues and therefore at this stage, the balance of £3,803,000

after planned use in 2023/24 is prudent for these risks but this balance will be reviewed again when setting the 2024/25 rates.

RECOMMENDATIONS

12. The Authority is recommended to:

- a) note the outturn position for 2022/23 (Table 1);
- b) approve the carry over of £678,000 unused budget on consultants into 2023/24;
- c) note the transfer of £1,416,000 to the Rates Stabilisation Reserve and £5,774,000 to the 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 1JS

CHRIS BUSS
Treasurer

6th June 2023

Summary of Revenue Outturn 2022/23

ITEM	Original Budget	Revised Budget	Outturn	Variance
	£000	£000	£000	£000
<u>Direct Tonnage costs (AWDC)</u>				
<u>Operating Expenditure</u>				
General Waste	47,081	40,992	40,065	-926
Co-mingled Recyclate	3,865	3,297	3,693	396
Other	607	653	678	26
Recyclate Income	0	-1,200	-1,157	43
	51,553	43,742	43,279	-462
<u>Direct Tonnage Income (AWDC)</u>				
TOTAL PER BOROUGH				
Hammersmith & Fulham	-9,757	-9,112	-9,151	-39
Kensington & Chelsea	-9,392	-9,760	-9,652	108
Lambeth	-15,463	-14,933	-15,047	-114
Wandsworth	-14,389	-13,181	-13,243	-62
	-49,001	-46,986	-47,093	-107
AWDC (surplus)/ deficit	2,551	-3,244	-3,814	-569
<u>LEVY cost</u>				
Employees	732	615	606	-9
LPFA Levy	4	0	0	0
Business Rates	525	519	519	0
Administration & General -Legal/ Consultancy costs	900	900	222	-678
Administration & General - Other direct costs	214	214	146	-68
WBC Financial support	69	69	63	-6
Lambeth Admin support	29	29	29	0
HWRC site Tonnage and running costs	2,900	2,435	1,699	-737
Capital Financing	37	37	37	0
Total Cost	5,409	4,818	3,321	-1,498
Westminster Council use of HWRC site	-261	-269	-270	-1
Miscellaneous Income	-209	-298	-619	-321
Triad Income 2021/22	0	-42	-42	0
Triad Income 2022/23	0	0	-1,386	-1,386
Deferred Income recognition	-250	-250	-425	-175
Grant Income	0	0	-5	-5
Recharge to Cory	0	0	-135	-135
Transfer from Reserves	-25	-25	0	25
Levy Income	-4,493	-4,493	-4,493	0
Total Income	-5,238	-5,377	-7,375	-1,998
Levy (surplus)/ deficit	172	-559	-4,054	-3,496

Notes of Main Variances

General Waste Direct Tonnage costs (-£926,000)

The revised budget in January reflected the latest estimates in relation to electricity prices at that time. The underspend reflects the achievement of an average of £85/MWh for the final 4 months of the year which was £16/MWh higher than estimated when the budget was revised due to market conditions.

HWRC site Tonnage and running costs (-£737,000)

The General Waste tonnage levels at the HWRC site were 18% lower than that expected when setting the budget as were other levels of waste (overall a 23% drop causing an underspend of £420,000). 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 (-£678,000)

The Authority has incurred legal and consultancy costs relating to, amongst others, the Riverside Energy Park proposals and electricity generator levy of £222,000 which was within the contingency level incorporated into the budget. The majority of the costs relating to the waste strategy and future procurement will fall in future years for which it is recommended to carry forward this underspend.

Triad Income (-£1,368,000)

The Authority is also expecting to receive £1,386,000 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.

Deferred Income Recognition (-£175,000)

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. The finalisation of the Riverside Energy Park agreement generated a further £1.75m payment from Cory, which is recognised in the same way over the remaining life of the contract at £175,000 per year. This has already been incorporated within future year budgets.

Table 2

Outturn Tonnage for 2022/2023

Hammersmith & Fulham

	2019/2020	2020/2021	2021/2022	2022/2023
Batteries	1	0	0	1
Clinical Waste	18	16	14	12
Co-Mingled	11,703	12,573	12,030	11,149
Detritus Waste	449	463	434	469
Electricals	20	10	13	10
Fridges	89	81	88	78
Gas Bottles	1	1	1	1
General Waste	56,021	55,590	55,435	52,852
Glass	-	-	-	-
Green Waste	83	98	78	98
Inert Waste	5	-	-	-
Paint & Oil	-	-	0	0
Paper & Cardboard	-	-	-	-
Scrap Metals	19	10	16	21
Textiles	-	-	-	-
Tyres	1	0	2	0
Wood	-	-	-	-
Total	68,410	68,843	68,112	64,691
Contaminated Co-Mingled	1,594	1,752	2,036	1,881
Contamination Percentage	13.62%	13.93%	16.93%	16.88%

Wandsworth

	2019/2020	2020/2021	2021/2022	2022/2023
Batteries	-	-	-	-
Clinical Waste	66	65	75	73
Co-Mingled	20,355	23,577	21,842	19,343
Detritus Waste	2,841	2,861	2,613	2,481
Electricals	2	4	1	1
Fridges	153	75	59	71
Gas Bottles	1	1	1	0
General Waste	75,666	80,509	78,795	75,004
Glass	-	-	-	-
Green Waste	449	365	325	287
Inert Waste	15	4	-	-
Paint & Oil	-	-	-	-
Paper & Cardboard	-	2	-	-
Scrap Metals	4	7	-	-
Textiles	-	-	-	-
Tyres	1	1	1	1
Wood	-	-	-	-
Total	99,551	107,470	103,711	97,262
Contaminated Co-Mingled	2,602	3,181	3,084	2,450
Contamination Percentage	12.78%	13.49%	14.12%	12.67%

Kensington and Chelsea

	2019/2020	2020/2021	2021/2022	2022/2023
Batteries	-	-	-	-
Clinical Waste	1	1	1	1
Co-Mingled	15,961	12,528	14,076	13,962
Detritus Waste	1,021	806	707	666
Electricals	26	32	15	8
Fridges	51	39	45	42
Gas Bottles	1	1	2	5
General Waste	58,209	46,755	53,842	55,272
Glass	-	-	-	-
Green Waste	475	495	514	469
Inert Waste	-	2	-	-
Paint & Oil	-	0	-	-
Paper & Cardboard	-	-	-	-
Scrap Metals	0	-	4	0
Textiles	-	-	-	-
Tyres	-	0	-	-
Wood	1	-	-	-
Total	75,746	60,660	69,206	70,426
Contaminated Co-Mingled	1,699	1,382	1,616	1,716
Contamination Percentage	10.64%	11.03%	11.48%	12.29%

WRWA

	2019/2020	2020/2021	2021/2022	2022/2023
Batteries	24	32	26	22
Clinical Waste	-	-	-	-
Co-Mingled	538	373	407	344
Detritus Waste	-	-	-	-
Electricals	726	792	673	575
Fridges	79	74	56	51
Gas Bottles	-	16	24	27
General Waste	8,865	9,504	7,939	6,958
Glass	375	365	281	-
Green Waste	3,171	3,099	2,647	2,058
Inert Waste	1,677	1,891	1,508	1,068
Paint & Oil	17	16	39	151
Paper & Cardboard	962	1,171	1,023	876
Scrap Metals	666	699	684	589
Textiles	254	287	260	250
Tyres	-	-	12	11
Wood	3,773	3,808	3,298	3,025
Total	21,128	22,129	18,877	16,005
Contaminated Co-Mingled	69	52	60	48
Contamination Percentage	12.84%	13.90%	14.84%	14.09%

Lambeth

	2019/2020	2020/2021	2021/2022	2022/2023
Batteries	-	-	-	-
Clinical Waste	3	4	6	6
Co-Mingled	19,543	22,317	20,728	17,223
Detritus Waste	518	542	562	458
Electricals	113	106	70	91
Fridges	174	172	151	132
Gas Bottles	4	1	2	2
General Waste	86,536	88,694	87,517	87,083
Glass	-	-	-	-
Green Waste	733	608	574	853
Inert Waste	2	-	5	5
Paint & Oil	-	-	6	27
Paper & Cardboard	423	423	323	239
Scrap Metals	114	62	61	62
Textiles	-	-	-	-
Tyres	8	5	7	7
Wood	140	-	58	259
Total	108,311	112,934	110,069	106,448
Contaminated Co-Mingled	2,796	3,233	3,439	2,623
Contamination Percentage	14.31%	14.49%	16.59%	15.23%

GRAND TOTAL

	2019/2020	2020/2021	2021/2022	2022/2023
Batteries	25	32	26	23
Clinical Waste	88	87	96	92
Co-Mingled	68,099	71,368	69,082	62,022
Detritus Waste	4,829	4,672	4,316	4,074
Electricals	888	944	772	686
Fridges	546	440	400	375
Gas Bottles	6	20	30	36
General Waste	285,298	281,052	283,526	277,170
Glass	375	365	281	-
Green Waste	4,911	4,665	4,139	3,764
Inert Waste	1,700	1,897	1,513	1,073
Paint & Oil	17	16	45	179
Paper & Cardboard	1,385	1,595	1,346	1,115
Scrap Metals	803	779	764	672
Textiles	254	287	260	250
Tyres	9	7	22	20
Wood	3,913	3,808	3,356	3,284
Total	373,146	372,036	369,975	354,833
Contaminated Co-Mingled	8,760	9,600	10,235	8,720
Contamination Percentage	12.86%	13.45%	14.82%	14.06%