

PAPER NO. WRWA 24-09

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	29 th July 2024
REPORT AUTHOR/ DATE	Treasurer (Sukvinder Kalsi-Tel 0208 875 2788) 15 th July 2024
SUBJECT	Report of the Treasurer on the Authority's Outturn position for 2023/24.
CONTENTS	Page 1 Executive Summary and Background Page 6 Recommendations Pages 7-9 Table 1 - Outturn position Page 10 Table 2 - Tonnage data for 2023/24
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 2023/24 is presented for information to this Authority meeting.
2. The date for completion of the draft set of 2023/24 accounts is 31st May. The Authority's external auditors from 2023/24 to 2027/28 are KPMG who are reliant on the completion of the prior year audit by Deloitte. Whilst plans are in place for the 2023/24 audit to begin in July, this may be delayed until the prior year is finalised (see paragraph 3 below). The Authority are therefore expected to receive the audit report at the November meeting. The absolute deadline for the completion of the audit for the 2023/24 financial statements is expected to be May 2025 (formal announcement is awaited).
3. The Authority received the full set of 2022/23 accounts and draft audit opinion at the February meeting which outlined some minor points outstanding in order to finalise. The final confirmation around the right and extent to which the Authority can recognise the pension fund surplus on the balance sheet is an area of focus still with Deloitte. The absolute deadline for the completion of the audit for the 2022/23 financial statements is expected to be September 2024 (formal announcement is awaited).

OUTTURN 2023/24

4. The outturn position prior to Audit against the revised budget is detailed at Table 1 for information. The overall net position is a surplus of £10.644m, this compares to a £7.239m surplus expected when setting the revised budget in January. Tonnage data for the year is attached at Table 2.
5. The most significant reason for the difference is in relation to the energy share reconciliation which takes place after April each year (£2.7m). This energy reconciliation incorporates the impact of the generation of power on the 'Triad' days plus 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. The other driver of the underspend relates to additional interest earned on balances invested on a higher bank balance than expected in February, causing an underspend of £457,000.
6. The proportion of commodity income generated by recycle due to the Authority for the year was a total of £0.4m, compared to 0.2m when the budget was revised in January.
7. It is proposed to transfer the additional surplus from 2023/24 to reserves primarily the Capital Reserve and the Stabilisation Reserve.
8. All reserve levels will be continually reviewed, including the option to redistribute any amounts back to the constituent boroughs. These matters will be included in the budget reports that will be presented later in the year.

OUTLOOK FOR 2024/25 AND FUTURE YEARS

- 9. As previously mentioned to the Authority and included elsewhere on this agenda, there is the potential that the Authority will incur capital costs either in the purchase of new land and construction of new facilities or upgrading existing facilities in preparation for the procurement of services post 2032 and/or as a result of legislative changes in the Environment Act 2021. In the absence of any government funding, the costs of these would 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 February budget paper included the plan to use some of the expected 2023/24 surplus to top up this reserve to bring it to a value of £10m.
- 10. When setting the rates in February 2024 for 2024/25 (Paper No. WRWA 24-01) both the General Waste rate and Co-mingled rates were set at a lower rate than the contractual cost to the Authority. This required the expected use of the Rates Stabilisation Reserve as follows for the year:

	Per tonne			Total
2024/25 predicted subsidy	Predicted Contract Cost	Borough Charge	Subsidy	subsidy from reserve
General Waste rate	£182.01	£168.00	£14.01	£3.764m
Co-mingled	£59.25	£32.00	£27.25	£1.687m
Total				£5.451m

- 11. In addition the Authority has committed to continuing to subsidise the Co-mingled rate until the end of 2026/27 at a further estimated cost of £1.7m, bringing the current planned use of the reserve to £7.2m.
- 12. Since the rates were set, inflation rates have been finalised and the subsidy is marginally higher for Co-mingled at £28.69 per tonne. However, the subsidy for the General Waste rate is slightly lower. Commodity prices have increased slightly and, under the value sharing arrangement the Authority received a payment of £96,208 in April 2024 compared to an average of £36,500 in 2023/24.
- 13. As Members are aware, the electricity generated at the Belvedere EfW plant forms part of the General Waste rate charged by Cory within the contract. This is the most volatile part of the pricing and is market price driven. The Authority receives income from the electricity generated if the market price exceeds the ‘threshold’ (uplifted under the terms of the contract, currently £84.36 per MWh in 2024/25). However, below this threshold the Authority incurs a charge (up to a floor currently £57.85 per MWh in 2024/25). The budget assumed energy being sold at £88 per MWh, generating an average income of £2.36 per tonne of general waste. The Authority receives a monthly update on sales trends and with the current mix of advance trading from Cory the estimate set in the budget appears to still be reasonable at this early stage in the year.

14. As outlined in Paper No. WRWA 23-26 and Paper No. WRWA 24-04 to the Authority meeting in September 2023 and February 2024 respectively, the greenhouse gas emission trading scheme (ETS) is due to extend to new sectors including Energy from Waste from 2028. The UK ETS only applies to carbon from fossilised and not biogenic sources. The detailed financial implications and impacts for the Authority and the Constituent Councils are being evaluated and will be reported in future reports.

RESERVES POLICY

15. 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 2024 is outlined in the following table. The predicted total level of reserves at the end of 2023/24 when setting the budget in February 2024 was £33.736m. The 2023/24 surplus is £3.405m higher than expected, increasing total reserve balances by this amount resulting in total usable reserves at the end of 2023/24 of £37.148m.

16. It is proposed to distribute £1m of the reserves during 2024/25 to the Constituent Councils. There are 2 potential options for this including:

Option 1 – based on AWDC tonnage costs in 2023/24

Option 2 - the Levy underspend of £256,000 to be distributed on Levy Apportionment and the remainder to be based on the AWDC tonnage costs in 2023/24

The table below sets out the potential refunds under each of the Options.

	Option 1 £'000	Option 2 £'000
Hammersmith & Fulham	192	192
Kensington & Chelsea	203	208
Lambeth	319	304
Wandsworth	286	296
Total	1,000	1,000

Reserve Balance £m	1st April 2023	Predicted 31st March 2024	Actual Movement	Actual 31st March 2024	Purpose
General Fund Reserve	4.479	3.803	-	4.479	Represents around 70% of the potential risks outlined in Appendix E to Paper No. 24-01. Additional balance of £0.678m currently held from the 2022/23 underspend on consultants not required in 2023/24 and therefore carried over for use in 2024/25 if required.
Capital Reserve	7.984	10.000	2.016	10.000	Topped up to £10m using part of 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
Stabilisation Reserve	10.991	16.910	8.628	19.619	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. Topped up by the balance of this year's underspend.
Loan Repayment Reserve	1.000	1.000	-	1.000	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
Recycling Reserve	0.250	0.225	-	0.250	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 without the need for further approval. This reserve has not been drawn upon as additional communications campaigns did not take place in 2023/24.

Pension Liability Reserve	1.800	1.800	-	1.800	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
Total Usable Reserves	26.504	33.736	10.644	37.148	

RECOMMENDATIONS

The Authority is recommended to:

- a) note the outturn position for 2023/24 (paragraphs 4 to 8 and detailed in the Table 1 below)
- b) note the reserves position at 31 March 2024 as set out in paragraph 15
- c) to agree the preferred Option for the refunds of £1m (as set out in paragraph 16)
- d) note the continued principle of the redemption of debt from reserves as far as practicable

Western Riverside Waste Authority
Smugglers Way
LONDON SW18 1JS

SUKVINDER KALSI
Treasurer

15th July 2024

Summary of Revenue Outturn 2023/24

	Original Budget	Revised Budget	Outturn	Variance
	£000	£000	£000	£000
<u>Direct Tonnage costs (AWDC)</u>				
<u>Operating Expenditure</u>				
General Waste	45,795	37,634	37,956	323
Co-mingled Recyclate	3,717	3,593	3,584	-9
Other	725	684	678	-5
Recyclate Income	0	202	-439	-641
Triad Income 23/24	0	0	-2,712	-2,712
	50,237	42,112	39,068	-3,044
<u>Direct Tonnage Income (AWDC)</u>				
TOTAL PER BOROUGH				
Hammersmith & Fulham	-9,120	-9,114	-9,074	40
Kensington & Chelsea	-9,773	-9,446	-9,553	-107
Lambeth	-14,971	-15,050	-15,065	-15
Wandsworth	-13,207	-13,467	-13,490	-23
	-47,071	-47,077	-47,182	-105
AWDC (surplus)/ deficit	3,166	-4,965	-8,114	-3,149
<u>LEVY cost</u>				
Employees	738	661	573	-88
Business Rates	519	702	702	0
Administration & General -Legal/ Consultancy costs	900	900	843	-57
Administration & General - Other direct costs	214	244	303	59
WBC Financial support	71	71	68	-3
LBC Admin support	30	30	29	-1
HWRC site Tonnage and running costs	2,863	2,220	1,816	-404
Capital Financing	37	37	37	0
Total Cost	5,372	4,865	4,371	-494
Westminster Council use of CA site	-282	-282	-282	0
Miscellaneous Income	-359	-1,039	-1,496	-457
Triad Income 22/23	0	-408	-408	0
REP land payment	-116	-116	-116	0
Deferred income	-425	-425	-425	0
Grant income	0	0	-8	-8
Transfer from Reserves	-25	-703	0	703
Levy Income	-4,165	-4,165	-4,165	0
Total Income	-5,372	-7,138	-6,900	238
Levy (surplus)/ deficit	0	-2,274	-2,530	-256

Notes of Main Variances

General Waste Direct Tonnage costs (+£323,000)

The revised budget in January reflected the latest estimates in relation to electricity prices and tonnage estimates at that time which was very similar to final outturn producing a variance of less than 1%.

Recyclate Income (-£641,000)

The recyclate market improved at the end of the financial year, with the last 3 months generating over half of the total income for the year.

Triad Income (-£2,712,000)

The Authority is also expecting to receive £2,712,000 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.

Employees (-£88,000)

Staffing vacancies have led to a small underspend in employee costs.

HWRC site Tonnage and running costs (-£404,000)

The General Waste tonnage levels at the HWRC site were very similar to that expected when setting the budget as were other levels of waste and the underspend was attributed to lower general office running costs than allowed for in the budget.

Income

The Authority received additional income than expected at an average interest rate of 5.02% on average balances of £19m invested by Wandsworth on the Authority's behalf. A government grant of £8k was also received in March 2024 in relation to the Redmond review to assist with additional audit fees incurred in year.

Deferred Income Recognition (£nil)

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.

Transfer from Reserves (+£703,000)

When the budget was set, the 2022/23 underspend on consultants fees was retained in the General Fund Reserve to be drawn on if needed in 2023/24 (£678,000) plus a further £25,000 if needed for additional communications campaigns funded from the Recycling Initiatives Reserve. As there is an overall surplus in the year, these drawings have not been required.

Table 2

Outturn Tonnage for 2023/2024

Hammersmith & Fulham

	2020/2021	2021/2022	2022/2023	2023/2024
Batteries	0	0	1	0
Clinical Waste	16	14	12	10
Co-Mingled	12,573	12,030	11,149	11,959
Detritus Waste	463	434	469	513
Electricals	10	13	10	14
Fridges	81	88	78	78
Gas Bottles	1	1	1	2
General Waste	55,590	55,435	52,852	51,793
Glass	-	-	-	-
Green Waste	98	78	98	74
Inert Waste	-	-	-	-
Paint & Oil	-	0	0	23
Paper & Cardboard	-	-	-	-
Scrap Metals	10	16	21	36
Textiles	-	-	-	-
Tyres	0	2	0	0
Wood	-	-	-	-
Total	68,843	68,112	64,691	64,501
Contaminated Co-Mingled	1,752	2,036	1,881	2,025
Contamination Percentage	13.93%	16.93%	16.88%	16.93%

Wandsworth

	2020/2021	2021/2022	2022/2023	2023/2024
Batteries	-	-	-	-
Clinical Waste	65	75	73	74
Co-Mingled	23,577	21,842	19,343	19,667
Detritus Waste	2,861	2,613	2,481	2,456
Electricals	4	1	1	1
Fridges	75	59	71	89
Gas Bottles	1	1	0	1
General Waste	80,509	78,795	75,004	75,669
Glass	-	-	-	-
Green Waste	365	325	287	301
Inert Waste	4	-	-	1
Paint & Oil	-	-	-	0
Paper & Cardboard	2	-	-	-
Scrap Metals	7	-	-	-
Textiles	-	-	-	-
Tyres	1	1	1	4
Wood	-	-	-	-
Total	107,470	103,711	97,262	98,262
Contaminated Co-Mingled	3,181	3,084	2,450	2,660
Contamination Percentage	13.49%	14.12%	12.67%	13.52%

Kensington and Chelsea

	2020/2021	2021/2022	2022/2023	2023/2024
Batteries	-	-	-	-
Clinical Waste	1	1	1	2
Co-Mingled	12,528	14,076	13,962	13,611
Detritus Waste	806	707	666	641
Electricals	32	15	8	2
Fridges	39	45	42	33
Gas Bottles	1	2	5	5
General Waste	46,755	53,842	55,272	54,370
Glass	-	-	-	-
Green Waste	495	514	469	486
Inert Waste	2	-	-	-
Paint & Oil	0	-	-	-
Paper & Cardboard	-	-	-	1
Scrap Metals	-	4	0	3
Textiles	-	-	-	-
Tyres	0	-	-	-
Wood	-	-	-	-
Total	60,660	69,206	70,426	69,155
Contaminated Co-Mingled	1,382	1,616	1,716	1,463
Contamination Percentage	11.03%	11.48%	12.29%	10.75%

WRWA

	2020/2021	2021/2022	2022/2023	2023/2024
Batteries	32	26	22	27
Clinical Waste	-	-	-	-
Co-Mingled	373	407	344	283
Detritus Waste	-	-	-	-
Electricals	792	673	575	564
Fridges	74	56	51	46
Gas Bottles	16	24	27	17
General Waste	9,504	7,939	6,958	7,444
Glass	365	281	-	-
Green Waste	3,099	2,647	2,058	2,355
Inert Waste	1,891	1,508	1,068	992
Paint & Oil	16	39	151	213
Paper & Cardboard	1,171	1,023	876	910
Scrap Metals	699	684	589	638
Textiles	287	260	250	251
Tyres	-	12	11	7
Wood	3,808	3,298	3,025	3,065
Total	22,129	18,877	16,005	16,812
Contaminated Co-Mingled	52	60	48	39
Contamination Percentage	13.90%	14.84%	14.09%	13.82%

Lambeth

	2020/2021	2021/2022	2022/2023	2023/2024
Batteries	-	-	-	-
Clinical Waste	4	6	6	5
Co-Mingled	22,317	20,728	17,223	16,527
Detritus Waste	542	562	458	522
Electricals	106	70	91	71
Fridges	172	151	132	92
Gas Bottles	1	2	2	1
General Waste	88,694	87,517	87,083	87,112
Glass	-	-	-	-
Green Waste	608	574	853	805
Inert Waste	-	5	5	55
Paint & Oil	-	6	27	29
Paper & Cardboard	423	323	239	220
Scrap Metals	62	61	62	57
Textiles	-	-	-	-
Tyres	5	7	7	1
Wood	-	58	259	327
Total	112,934	110,069	106,448	105,822
Contaminated Co-Mingled	3,233	3,439	2,623	2,351
Contamination Percentage	14.49%	16.59%	15.23%	14.23%

GRAND TOTAL

	2020/2021	2021/2022	2022/2023	2023/2024
Batteries	32	26	23	28
Clinical Waste	87	96	92	91
Co-Mingled	71,368	69,082	62,022	62,047
Detritus Waste	4,672	4,316	4,074	4,131
Electricals	944	772	686	651
Fridges	440	400	375	339
Gas Bottles	20	30	36	26
General Waste	281,052	283,526	277,170	276,389
Glass	365	281	-	-
Green Waste	4,665	4,139	3,764	4,020
Inert Waste	1,897	1,513	1,073	1,048
Paint & Oil	16	45	179	265
Paper & Cardboard	1,595	1,346	1,115	1,130
Scrap Metals	779	764	672	733
Textiles	287	260	250	251
Tyres	7	22	20	12
Wood	3,808	3,356	3,284	3,392
Total	372,036	369,975	354,833	354,552
Contaminated Co-Mingled	9,600	10,235	8,720	8,538
Contamination Percentage	13.45%	14.82%	14.06%	13.76%