

PAPER NO. WRWA 25-03

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	11 th February 2025
REPORT AUTHOR/ DATE	Sukvinder Kalsi (Tel 020 8871 2788) 28th January 2025
SUBJECT	Report of the Treasurer on the Authority's Budget and Levy for 2025/26 and the prospects for 2026/27 and beyond.
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STATUS	Open-circulation of this paper is not restricted.
BACKGROUND PAPERS	Budget Forecast Paper No. WRWA 24-31. including Appendices A & B were considered at the meeting of the Authority on 4th December 2024.

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EXECUTIVE SUMMARY

1. This report updates the budget forecast report considered at the Authority meeting on 4th December 2024 (Paper No. WRWA 24-31). The original budget of the Authority (at the time the levy and rates for 2024/25 were set in Paper No WRWA 24- 01) is compared with the revised budget for the year. The report then provides recommendations for the Levy and Apportionment of Waste Disposal Costs (“**AWDC**”) rates for 2025/26 and prospects for future years. The report also sets out the results of a consultation with the constituent Council’s on proposed changes to the charging agreement with regard to the Household Waste and Recycling Centre (“**HWRC**”).
2. **Strategic Operating Environment** – the Authority’s finances will be affected and influenced by the overall national fiscal financial policies (inflation/ interest rates), any existing and new legislation that may be implemented for the waste industry (in particular Emissions Trading Scheme, Extended Producer Responsibility (EPR) and our contractual/ commercial arrangements with Cory.
3. **Budget 2024/25** - the budget that was approved by the Authority for 2024/25 was based on the following key principles:
 - a charge of £168 per tonne for domestic waste and a charge of £32 per tonne for recycling
 - the use of reserves of £5.5m to subsidise the rates charged (thereby limiting the increases to 5% for domestic waste and a freeze for recycling rates)
 - limiting the levy (the element charged on borough property numbers) to 3%
 - a redistribution of reserves of £1m during the year (approved in July 2024).

The charges to the Boroughs (AWDC/ Levy) are expected to be marginally more (estimated at £54.1m or 1% more) and this relates entirely to the AWDC charges. The on-going review during 2024/25 indicates that there will be some variations and the overall position will be more favourable (with expected additional interest income). As a consequence, the forecast outturn is expected to result in an increase in our balances by £0.8m (the details are set out in Appendix A and B).

4. **Draft Budget 2025/26** – the budget proposals will need to take into account the levy charging methodology (see paragraphs 7 to 9), continued electricity price volatility (see paragraphs 13, 15 to 16) and the future infrastructure investment that may be undertaken at Cringle dock/ Kirtling Wharf).

The key assumptions for the draft budget for 2025/26 include:

- 2.5% for pay and prices (in line with service contractual terms)
- to propose a domestic waste rate of £174 per tonne (or 3.5% increase on 2024/25)
- to propose a recycling rate of £32 per tonne (a freeze and same as 2024/25)
- to limit the levy charge to an increase of 4%.

The Authority is expecting to receive £6.5m from the EPR Programme and it is proposed to use this resource to subsidise the AWDC rates for 2025/26 (thereby protecting our reserves).

It is also proposed that the current charging methodology for the AWDC/ Levy Charges is extended for 2025/26 pending further discussions during 2025/26 (details in paragraphs 27 to 30 below).

5. **Reserves** – the Authority’s reserves at the end of March 2024 totalled £37.1m (detailed in paragraph 33) and these will reduce to £31.4m (the reduction of £5.7m represents £5.5m to subsidise the tonnage rates, a redistribution of £1m offset by a favourable forecast outturn of £0.8m).
6. The reserves are forecast to reduce by £1m to £30.4m by March 2026 (representing the repayment of our residual outstanding loan of £1m).

BACKGROUND - Charging Arrangements.

7. 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.
8. 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. HWRC and Authority overheads (that calculate the levy charge) are apportioned among constituent councils on the basis of their council tax-bases as required by statute. This agreement was entered into by the constituent councils and the Authority on a voluntary basis and has worked well. The agreement was formally extended for a further eight years from April 2017 expiring in March 2025 therefore a revised arrangement is needed for 2025/26 onwards. Any

future agreement needs to be agreed by all constituent councils and if agreement cannot be reached a statutory charging mechanism (default basis) will be applied. Section 151 Officers of all constituent councils have been consulted on a new charging mechanism with the final decision is discussed further in paragraph 30.

9. Under any agreement, rates per tonne are required for all waste streams. The recommended rates per tonne for 2025/26 are compared with the current year's charged rates at paragraph 7 for approval. Predicted rates for future years 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 25 - 06 elsewhere on this agenda).

TRENDS AND ISSUES IN 2024/25

10. When setting the budget both the general waste rate and the co-mingled rate for 2024/25 were subsidised with expected required drawing on the Stabilisation Reserve as follows:

	Council charge per tonne	Subsidy per tonne	Reserve Use £000
General Waste	£184.37	£16.37	£3,787
Co-mingled Recyclables	£59.25	£27.25	£1,687
Total Reserve use			£5,474

11. The position for the year is outlined in the Financial Summary at Appendix A which demonstrates the latest forecast for 2024/25. The original budget for AWDC rates income for 2024/25 and the Annual Levy for each borough is shown below:

	Original Budget			Latest Estimates (Q3)		
	AWDC Charges £'000	Annual Levy £'000	Total £'000	AWDC Charges £'000	Annual Levy £'000	Total £'000
Hammersmith & Fulham	9,565	834	10,400	9,377	834	10,211
Kensington and Chelsea	9,898	957	10,856	10,228	957	11,185
Lambeth	15,783	1,109	16,892	16,144	1,109	17,253
Wandsworth	14,116	1,390	15,506	14,067	1,389	15,456
Total	49,364	4,289	53,653	49,816	4,289	54,105

12. Whilst the movement is marginal at this point in the year, the variables with the position

above reflects the following key differences compared to the original budget:

- a) Increased energy income
- b) Tonnage variance
- c) Anything else

13. Based on the current Q3 forecast the Authority will be in an overall surplus, however the budget still incorporates assumed usage of £4.7m of reserves at this time to be prudent. The main drivers of final outturn (final surplus) will be electricity prices (expenditure) and investment income. Adjustments will be made where appropriate to maintain stable prices for the constituent councils in future years. The final decision on this will be made in advance of the preparation of the authority's outturn position and communicated to Section 151 Officers in advance of the authority meeting in June 2025.

PROPOSALS FOR 2025/26

AWDC RATES

14. The November 2024 estimates for 2024/25 AWDC rates in the Budgeted AWDC Costs and Income at Appendix A reflect the best estimate mix of inflation indices and estimates around electricity referred to in paragraphs 13 to 16.

15. 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 £86.92 per MWh in 2025/26). However, below this threshold the Authority incurs a charge (up to a floor expected to be £57.85 per MWh in 2025/26). As outlined in December, it is very difficult to predict the cost or income from electricity due to the general volatility of the energy market. The forward price of electricity remains unpredictable and projections are based on a mix of existing price generated on the proportion of energy sold ahead by Cory plus industry predictions for prices in 2025/26, the average electricity price assumed when setting budgets is £85 per MWh, generating an average income of £1.23 per tonne of general waste. The use of this rate in assessing the charge to the councils minimises the risk of the Authority having to consider issuing a supplemental levy or increasing charges in the event of a significant in-year reduction in energy costs. If energy income is higher during the year, then the Authority can take a view on whether it wishes to offer rebates to councils at a later date when income has been realised.

16. 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 2025/26 would be £191.20 per tonne or 5.05% above 2024/25 levels without any subsidy. The November forecast proposed limiting the increase in the rate to an increase of 3.5% (to £174 per tonne) by utilising current year surpluses. It is therefore recommended that the general waste rate be set at £174 per tonne.

Co-mingled Recycling Rates

17. Since 2021 the Authority has agreed to subsidise the co-mingled recycling rate. Prior to this date the Authority had benefited from a separately agreed off contract lower rate. Since the reversion to the contract rate, the Authority has budgeted to reduce the charge rate by utilizing either recycle income or reserves. The current policy is to continue to do that by stepped increases until converging with the contractual rate in future years which would require just under 40% increases in price each year. The November forecast outlined £2.7m of reserve use by 2027/28 assuming the 2024/25 borough charge would increase from £32 per tonne to £43.55 per tonne in 2025/26 and £52.67 per tonne in 2026/27.

18. Since the November 2024 forecast the authority has been awarded a minimum of £6.5m of Extended Producer Responsibility Grant (EPR) from Government and intends to use this grant income to freeze borough charges at £32 per tonne and protect reserves levels. This proposal has been discussed with Section 151 officers of constituent councils in advance of this paper and approval confirmed. This budget therefore proposes the continuation of a co-mingled charge of £32.00 per tonne for 2025/26 for boroughs, requiring a £30.67 per tonne subsidy or £1.9 million from the reserve. Further consideration of smoothing is still a consideration as future years grant payments cannot be guaranteed nor use of reserves feasible in the long term. The below table shows and estimate for future years assuming the freeze ended in 2025/26 based on latest estimates:

	Estimated contract rate	Borough Charge	Subsidy	Reserve use
	£	£	£	£000
2025/26	62.67	32.00	30.67	1,940
2026/27	65.17	55.17	10.00	640
2027/28	67.13	57.13	10.00	640
	Total Reserve use			3,220

19. As previously outlined, the current contract rate with Cory for co-mingled recycling also incorporates an improved income arrangement. The Authority will receive 50% of the commodity income over a basket price of £29.07. 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 may be considered to be transferred to the boroughs or held in reserves. During the first half of 2024/25 an average of approximately £57,000 has been received but there is no certainty that this can be relied on in future years due to the volatility of commodity income. Constituent councils are advised to make their own assumptions regarding income levels for the year bearing this in mind.

All Rates

20. The Authority needs to approve a scale of rates for all waste streams managed for 2025/26. The current rates for 2024/25, the proposed rates for 2025/26 and predicted rates for future years 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 2025/26. 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. The future year rates are before any subsidy from the Authority.

Waste Type	Rates per Tonne (£)								
	Current contract cost 2024/25	Market Variable	Current council charge 2024/25	Proposed contract cost 2025/26	Market Variable	Proposed council charge 2025/26 (exc. Market Variable if applicable)	Predicted contract cost 2026/27	Predicted contract cost 2027/28	Predicted contract cost 2028/29
General waste	181.49		168.00	191.20		174.00	198.84	204.81	208.91
Co-mingled recyclables ¹	60.69		32.00	62.67		32.00	65.17	67.13	68.47
Green waste ²	78.18	50.00	125.00	80.44	50.00	80.50	83.66	86.16	87.89
Batteries	74.76		73.50	77.37		77.50	80.46	82.87	84.53
Clinical ³	1,014.72		1,015.00	1,059.04		1,059.50	1,101.40	1,134.44	1,157.13
Detritus	75.29		75.50	108.97		109.00	113.33	116.73	119.06
Electricals	62.33		59.50	64.13		64.50	66.69	68.69	70.06
Fridges	60.16		60.00	62.50		62.50	65.00	66.95	68.29
Gas Bottles	161.22		160.00	167.50		167.50	174.20	179.43	183.01
Glass	37.18	0.00	0.00	38.25	0.00	38.50	39.78	40.97	41.79
Inert	36.70		36.00	37.82		38.00	39.33	40.51	41.32
Oil/Paint	161.97		158.50	167.63		168.00	174.33	179.56	183.15
Paper/Cardboard	32.80	-20.00	11.50	33.75	-20.00	34.00	35.10	36.15	36.88
Scrap Metal	62.33	-125.00	-65.50	64.13	-125.00	64.50	66.69	68.69	70.06
Textiles	24.06	-235.00	-212.00	24.75	-235.00	25.00	25.74	26.51	27.04
Tyres	395.20		395.50	410.50		411.00	426.92	439.73	448.52
Wood	59.05	80.00	136.50	60.75	80.00	61.00	63.18	65.08	66.38

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

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

³ Less £130 per tonne as negotiated with Cory for all clinical waste.

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21. 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.
22. 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.
23. 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.
24. Estimates are based upon the following annual tonnage levels and average contamination rates experienced in 2024/25 with other projections and growth also considered:

	Tonnes	General Waste	Co-mingled Recyclate	Other	Contamination	Total*
Hammersmith & Fulham		48,783	14,086	1,042	2,303	63,911
Kensington and Chelsea		55,116	13,420	1,151	1,396	69,687
Lambeth		87,922	13,898	1,951	2,013	103,771
Wandsworth		73,248	21,865	2,639	2,892	97,752

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

25. 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	90
Lambeth	143
Wandsworth	121

26. Constituent councils are also asked to note that Appendix A includes the contamination element at the cost of the general waste rate (not subsidised), however, the additional cost of contamination is actually the co-mingled rate of £62.67 per tonne or £32.00 per tonne for the boroughs which is calculated at the end of Appendix A for information.

THE LEVY

27. 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. Since 2013/14 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.
28. 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. Since the 2022/23 Levy was set, additional income has been accrued from the payments received from Cory for REP reaching financial close plus land which equates to a total of £425,000 a year for the remainder of the length of the WMSA. There is also a forecast for additional income from treasury management of £593,000 reflecting the higher interest rates may begin to fall on earned on cash balances.
29. The proposed total Levy costs for 2025/26 are £6.049 million as set in Appendix B. After deducting income from other sources and planned use of reserves, the Levy required would be £4.447 million. The proposed Levy is an increase of 3.68% compared to the 2024/25 charge. The charges to constituent councils compared to the 2024/25 levy requirement are outlined in the table below. The estimates use final 2025/26 Council Tax Bases as provided by constituent councils.

	2024/25	2025/26
	£'000	£'000
Hammersmith & Fulham	834	869
Kensington and Chelsea	957	970
Lambeth	1,109	1,165
Wandsworth	1,390	1,443
TOTAL	4,289	4,447

30. HWRC and Authority overheads (that calculate the levy charge) are apportioned among constituent councils on the basis of their Council Tax Bases as required by statute. The current agreement ends on 31st March 2025. It is proposed that the current agreement is extended by one year to allow further time to evaluate options for apportionment that all constituent councils agree on. Section 151 Officers of all constituent councils have been consulted on this proposal (one year extension) and are in agreement with the proposal. The proposed levy outlined in this paper has also been discussed with the Section 151 Finance Officers (or their representatives) of all of the constituent councils at a virtual meetings on 10 October and 11th November 2024, and

7th February 2025.

FUTURE RISKS – for Medium Term Financial Planning

31. Capital redevelopment: The Authority has a number of potential costs of a capital nature arising in the near to mid future. In part some of these 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 relation to this, the Clerk has written to Wandsworth's Leader to arrange a meeting to discuss the purchase of the land adjacent to Feather's Wharf/Institute Wharf. Our property advisors, Carter Jonas are engaged to progress discussions with Wandsworth on Heads of Terms for securing the whole site to develop a food waste transfer station for which planning permission will need to be secured. WRWA is aware that the Constituent Councils have been allocated Government funding to implement boroughwide food waste collections by 1st April 2026. No funding has been allocated for transfer and treatment of the collected food waste and WRWA has made representations to the Government on the omission of funding to WDAs. In addition, the Authority will at some stage need to facilitate the redevelopment or reconfiguration of its transfer stations, the estimated cost of developing a food waste transfer station is estimated at between £8 million and £10 million. The costs of these would, if directly met by the Authority, fall on the Levy and be borne by the constituent councils. The Capital Reserve has been set up (see Reserve Levels section below) to help mitigate against this risk.
32. Emissions Trading Scheme: As outlined in Paper No. WRWA 23-26 to the Authority meeting in September 2023 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. As reported in September 2023, using the current estimate of fossilised sources, this could cost the Authority somewhere between £8.5 and £21 million per year. A further update is outlined elsewhere on this agenda within the General Manager's report (Paper No. WRWA 25-06).

RESERVE LEVELS

33. The Authority had reserves at 1st April 2024 of £37.1 million. Future years reserves forecast are detailed in the table below:

	1st April 2024	1st April 2025	1st April 2026
	Actual	Estimate	Estimate
	£000	£000	£000
General Fund Reserve	4,479	4,479	4,479
Stabilisation Reserve	19,619	13,871	13,871
Capital Reserve	10,000	10,000	10,000
Loan Repayment Reserve	1,000	1,000	0
Recycling Reserve	250	250	225
Pension Liability Reserve	1,800	1,800	1,800
Total Usable Reserves	37,148	31,400	30,375

34. Reserves are expected to reduce to £31.400m at the end of 2024/25 which is a £5.748m decrease broken down as £4.748m subsidy for tonnage rates and £1.000m distribution to constituent councils. In 2025/26 there is no such subsidy for tonnage rates due to the EPR grant receipt discussed in paragraph 4 and 18 therefore there is only a small reduction of £1.025m in 2025/26 forecast which is to a residual outstanding loan and small change to the Recycling Reserve. Further forecasting of reserves will be undertaken in 2025/26 and reported accordingly.

35. The current balance on the General Fund Reserve is £4.5 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 2025/26 budget other than those covered by the specific earmarked reserves. These are detailed in Appendix E together with reasons for the retention of the specific earmarked reserves. It is proposed to therefore leave the General Fund Balance at a level of £4.5 million in 2025/26 in order to provide against general future uncertainty. The reserve balances will be reviewed again when the 2024/25 accounts are closed.

SECTION 25 STATEMENT

36. Under section 25 of the Local Government Act, the Chief Financial Officer of the Authority (The Treasurer) must report to the Authority on the following matters, when setting a budget: (a) the robustness of the estimates made for the purposes of the budget calculations, and (b) the adequacy of the proposed financial reserve. In presenting this budget the Treasurer confirms that the estimates are robust and that the reserves as set out in the paper and as specified in Appendix E are adequate and that there are no matters of concern.

SUMMARY OF COSTS TO CONSTITUENT COUNCILS

37. Constituent councils are forecast to incur the following costs in 2025/26 based on the recommended Levy and tonnage levels at the proposed AWDC charges:

	AWDC Charges £'000	Annual Levy £'000	Total £'000
Hammersmith & Fulham	9,498	869	10,367
Kensington and Chelsea	10,421	970	11,391
Lambeth	16,350	1,165	17,515
Wandsworth	14,287	1,443	15,730
Total	50,556	4,447	55,003

The comparative figures for 2024/25 budgets are shown below:

	AWDC Charges £'000	Annual Levy £'000	Total £'000
Hammersmith & Fulham	9,565	834	10,400
Kensington and Chelsea	9,898	957	10,856
Lambeth	15,784	1,109	16,892
Wandsworth	14,116	1,390	15,506
Total	49,363	4,289	53,653

AUTHORITY BUDGETS

38. The original overall Authority budget and forecast for 2024/25, the proposed budget for 2025/26 and predicted budget for 2026/27 are shown in the Appendices with the budget methodology at Appendix C. The estimated gross cost for the Authority for 2025/26 compared to the amount as at budget setting in 2024 for 2024/25 is shown below:

	£000
Gross Expenditure 2024/25	60,454
Gross Expenditure 2025/26	63,103
Increase	2,649
Percentage increase	4.3%

CIPFA CODE OF FINANCIAL MANAGEMENT

39. 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 2025/26 financial year and confirm that no changes are required.

RECOMMENDATIONS

40. The Authority is recommended to:

- a) approve the budget for the Authority for 2025/26, as presented in the Budgets for Direct costs and Levy costs in Appendices A, B and D;
- b) approve the AWDC rates to apply for 2025/26 as detailed on page 6 and note the arrangements for recharging contaminated recycle;
- c) approve the basis of cost recovery as set out in the report, including the residual Levy figure of £4.447 million for 2025/26 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 2025/26;
- d) approve the extension of the charging mechanism for the levy for one year to the end of 2025/26; and
- e) approve the Authority's proposed reserves as set out Appendix E and the use of reserves as set out in paragraph 33, which will be subject to review annually when budgets are set.

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SW18 1JS

SUKVINDER KALSI
Treasurer

28th January 2025

APPENDIX A**Budgeted AWDC Costs and Income**

	Budget £000	2024/25 Forecast Q2 £000	Forecast Q3 £000	2025/26 Budget £000	2026/27 Estimate £000
<u>Operating Expenditure</u>					
General Waste	50,451	50,451	50,669	52,325	51,709
Co-mingled Recyclate	3,669	3,669	3,885	3,965	3,918
Other	693	693	644	764	755
	54,813	54,813	55,198	57,054	56,382
<u>Direct Tonnage Income (AWDC)</u>					
General Waste					
Hammersmith & Fulham	-8,782	-8,782	-8,372	-8,488	-8,682
Kensington and Chelsea	-9,091	-9,091	-9,391	-9,590	-9,809
Lambeth	-14,572	-14,572	-15,005	-15,299	-15,648
Wandsworth	-12,704	-12,704	-12,516	-12,745	-13,036
Co-mingled Recyclate					
Hammersmith & Fulham	-372	-372	-443	-451	-605
Kensington and Chelsea	-436	-436	-428	-429	-577
Lambeth	-548	-548	-467	-445	-597
Wandsworth	-625	-625	-710	-700	-940
Contamination					
Hammersmith & Fulham	-358	-358	-470	-440	-435
Kensington and Chelsea	-257	-257	-291	-267	-264
Lambeth	-449	-449	-470	-385	-380
Wandsworth	-474	-474	-616	-553	-546
Other					
Hammersmith & Fulham	-53	-53	-92	-119	-118
Kensington and Chelsea	-114	-114	-118	-135	-133
Lambeth	-215	-215	-202	-221	-219
Wandsworth	-313	-313	-225	-289	-286
	-49,364	-49,363	-49,816	-50,556	-52,275
			0		
AWDC (surplus)/ deficit	5,449	5,450	5,382	6,498	4,107

APPENDIX B**LEVY COST**

	2024/25	2024/25	2024/25	2025/26	2026/27
	Budget	Forecast	Forecast	Budget	Forecast
	£000	Q2	Q3	£000	£000
		£000	£000		
Employees	763	761	750	851	872
LPFA Levy	-35	-35	-35	-35	-35
Business Rates	1,031	1,027	1,027	1,225	1,455
Administration & General - Legal/ Consultancy costs	900	900	934	900	925
Administration & General - Other direct costs	214	214	255	285	300
WBC Financial support	73	73	73	85	90
LBC Admin support	31	31	31	32	35
External Audit	55	55	83	73	85
HWRC site - Tonnage and running costs	2,591	2,634	2,716	2,633	2,800
Capital Financing	18	18	18	0	0
Total Cost	5,641	5,678	5,852	6,049	6,528
Miscellaneous Income*	-786	-786	-1,656	-1,061	-961
REP land payment	-116	-116	-116	-116	-116
Deferred Income	-425	-425	-425	-425	-425
Transfer from Reserves	-25	-25	0	0	0
Levy Income	-4,289	-4,289	-4,289	-4,447	-5,026
Total Income	-5,641	-5,641	-6,486	-6,049	-6,528
Levy (surplus)/ deficit	0	37	-634	0	0
*Breakdown of Miscellaneous income					
	£000	£000	£000	£000	£000
CCLA, Wandsworth Holding Investment and Other Interest	-300	-300	-1,114	-593	-500
Westminster	-277	-277	-277	-277	-277
Feather's Wharf (rental income)	-159	-159	-156	-159	-159
Vale Street	-50	-50	-22	-25	-25
Other	0	0	-88	-7	0
	-786	-786	-1,656	-1,061	-961

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 2.1% general inflation for 2026/27 in line with latest forecasts.

General waste charges. General waste tonnages delivered by constituent councils in 2024/25 have marginally increased in the current financial year compared to the previous year but there are fluctuations across the constituent councils. Tonnages received at the Household Waste and Recycling Centre are largely the same compared to budget. Electricity is currently an income to the Authority at an estimated £1.00 per tonne in 2024/25.

Recycling and minor waste streams. Recycling tonnages are forecast to be slightly higher than budgeted levels in 2024/25 and there is no prediction for movement in future years.

Business Rates. The national multiplier applied to rateable values for 2025/26 had not been announced at the time of budget setting therefore a 19% increase has been applied in line with previous years increases.

Employees. The budget for 2025/26 incorporates all new posts created in 2024/25, increased National Insurance Rates, general pay inflation of 2.5%, the interim staffing arrangements.

Administration & General. Administration costs include the revised budgeted programme for the Recycle Western Riverside 2025/26 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 £900,000 consultancy and legal advice in relation to discussions regarding the Cringle redevelopment, outline business case procurement strategy work plus implementation of the Joint Waste Strategy, as well as other general advice which is unchanged from 2024/25.

Capital Financing. The PWLB loan is due to be repaid in September 2025 at the date of maturity. There is no technical adjustment for the repayment of debt (MRP provision) as full provision is set aside in the Loan Repayment Reserve.

Miscellaneous Income. £277,000 reflects the 2025/26 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 2025/26. A lower allowance for this level of income has been made in 2025/26 onwards. In addition, interest earned on cash balances is included here and decline as the Bank Rate is expected to fall through 2025/26 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. In addition, REP close has generated a further payment of £1.75 million which spread over the remaining life equates to a further £175,000 per year, as well as an annual rent payment of £116,000 for the land.

APPENDIX D**TOTAL BUDGETED/PREDICTED COSTS TO CONSTITUENT COUNCILS**

BUDGET PERIOD & CONSTITUENT BOROUGH	AWDC CHARGES £000s	LEVY £000s	TOTAL £000s
2024/25 Budget			
Hammersmith & Fulham	9,566	834	10,400
Kensington and Chelsea	9,898	957	10,856
Lambeth	15,783	1,109	16,892
Wandsworth	14,116	1,390	15,506
Total	49,364	4,289	53,653
2025/26 Budget			
Hammersmith & Fulham	9,498	869	10,367
Kensington and Chelsea	10,421	970	11,391
Lambeth	16,350	1,165	17,515
Wandsworth	14,287	1,443	15,730
Total	50,556	4,447	55,003
2026/27 Predicted			
Hammersmith & Fulham	9,821	981	10,802
Kensington and Chelsea	10,775	1,095	11,870
Lambeth	16,906	1,315	18,221
Wandsworth	14,773	1,629	16,402
Total	52,275	5,020	57,295

APPENDIX E**GENERAL RESERVE REQUIREMENT 2025/26 & SPECIFIC EARMARKED RESERVES****a) THE GENERAL RESERVE**

The General Fund 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 2025/26 and potential costs that could be associated with them are as follows:

RISK	INDICATIVE POTENTIAL COST £000
(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	500
(3) Recycling commodity income replaced by additional charges	100
(4) New expenditure initiatives – recycling, staffing, etc.	250
(5) New legislation	300
(6) Potential additional costs not covered by capital reserve in relation to any development at Cringle Dock	1,000
(7) Additional tonnage at CA Site	400
(8) Fluctuations in capital value of Diversified Income Fund investment	500
TOTAL	3,400

The above risk assessment is 76% of the General Fund Reserve held and therefore is still deemed appropriate, and allows a buffer for any changes with the biggest risk being potential planning costs for the redevelopment of Cringle Dock. The total of £3.4 million for 2025/26 represents 5.6% of gross expenditure.

b) SPECIFIC EARMARKED RESERVES

The Authority hold a number of specific earmarked reserves to guard against specific risks these are as follows (balances as at 1st April 2024 in brackets) :

Stabilisation Reserve (£13.871m)

This reserve is maintained to enable the authority to maintain costs passed onto the boroughs wherever possible within the restriction of the referendum limit for Council Tax or to phase known price increases as in the case of co-mingled recycle. As set out in the report this is planned to be utilised in the current but not 2025/26 due to the receipt of the EPR Grant. Current uncertainty regarding electricity prices means that any further reduction in the reserve or repatriation to the boroughs would be a risk. A reduction in electricity income from £85 per MWh to £75 per MWh would lead to a reduction in income in 2025/26 of approx. £2m, which would need to be met from this reserve. This reserve may also be drawn on for future Emissions Trading Scheme costs.

Loan Repayment Reserve (£1.000m)

This reserve was established to provide for debt taken out to finance the Materials Recycling Facility. The Authority has £1 million of outstanding loans and the balance on the reserve will be sufficient to redeem the loan in full when it becomes due in September 2025. Retaining the reserve means that the authority has no need to make an annual Minimum Revenue Provision charge in its accounts.

Recycling reserve (£0.250m)

This reserve is for the purpose of funding one off recycling initiatives across the four boroughs.

Pension Liability Reserve (£1.800m)

The Authority's staff have the right to be members of the Local Government Pension scheme (LGPS). The staff are members of the Scheme administered by the London Pension Fund Authority (LPFA). As referred to in the body of the report the LPFA carries out a triennial valuation as required by LGPS regulations the latest one of which was at 31st March 2022. This showed that the Authority's element of the scheme was in surplus and accordingly employer contribution rates will be reduced for the next three years. However, the accounting basis of the fund is different to the actuarial basis, the latter has to be valued and accounted for in line with the appropriate international accounting

standard and at the 31st March 2024 on that basis the liabilities of the Authority's element of the scheme exceeded assets by £1.068m, compared to £1.166m one year earlier. The Authority would only be called upon to make good this deficit in the event of a crystallisation event such as no current members of staff being active members of the LPFA scheme. With the low level of staff employed by the Authority there is a risk of this occurring and as such the reserve should be maintained.

Capital Reserve (£10.000m)

This reserve is to provide for either the direct capital costs of future capital expenditure, including feasibility studies and other similar works, or to offset revenue costs of borrowing.