

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	24TH JANUARY 2017
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 871 2788) 16th January 2017
SUBJECT	Report of the Treasurer on the Authority's Budget and Levy for 2017/18 and the prospects for 2018/19 and beyond.
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STATUS	Open-circulation of this paper is not restricted.
BACKGROUND PAPERS	Budget Forecast Paper No. WRWA 816 including Appendices A - D – considered at the meeting of the Authority on 22nd November 2016.

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EXECUTIVE SUMMARY AND BACKGROUND

1. This budget report updates the budget forecast report considered at the Authority meeting on 22nd November 2016 (Paper No. WRWA 816). The original budget of the Authority for 2016/17 is compared with the revised budget for the year and provides recommendations for the Levy and Apportionment of Waste Disposal Costs (AWDC) rates for 2017/18 and prospects for 2018/19-2020/21.
2. The Authority's chief sources of income are charges to constituent councils for the disposal costs of waste, AWDC charges and levies upon those councils. The Authority has a statutory duty to apportion levies among the constituent councils for each financial year to meet liabilities for which provision is not otherwise made.
3. The statutory default basis for apportioning Joint Waste Disposal Authorities levies was amended by DEFRA with effect from 1st April 2006 substantially to a household tonnage basis, with overheads and civic amenity waste continuing to be apportioned on council tax base. These arrangements were phased in over three years with 2008/09 being the first full year of apportionment on the revised basis.
4. Under an agreement signed in February 2009, constituent councils are 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. Civic amenity waste and Authority overheads are apportioned among constituent councils on the basis of their council tax-bases. This agreement has been formally extended for a further eight years from April 2017.
5. Under the agreement, rates per tonne are required for all waste streams. The recommended rates per tonne for 2017/18 are compared with the current year's rates at paragraph 15 for approval. Predicted rates for 2018/19 to 2020/21 are also presented for information. Appendix A details actual and estimated tonnages for the period covered.
6. The Authority has seen general waste tonnage delivered by the constituent councils remain fairly consistent in the current financial year compared to the previous year (although there are fluctuations across the boroughs). With the exception of Civic Amenity waste, estimates set out in this paper do not incorporate any further increases above 2016/17 levels for future years. Constituent councils are advised to make their own assumptions regarding tonnage levels when setting their own

budgets. Tonnage delivered to the Civic Amenity site has experienced a reduction of around 5% compared to the previous year but these estimates do not predict that this will continue and instead predict constant tonnage levels in future years.

EXPERIENCE IN 2016/17

7. The General Fund Balance at 31st March 2016 was £6.726 million. Paper No. WRWA 804 to the Authority meeting in June 2016 agreed the redistribution to the boroughs of £2.5 million of this balance, leaving £4.226 million. This balance covers the regular General Fund reserve requirement plus £1.5 million set aside against the maximum risk the Authority could be liable for in relation to planning costs for the redevelopment of Cringle Dock. The same paper agreed the transfer of £3.375 million to the Rates Stabilisation Reserve and £1.105 million to the Levy Equalisation Reserve and a further £250,000 to the Recycling Initiatives Reserve.
8. The Budget Forecast report (Paper No. WRWA 816) to the Authority meeting in November 2016 outlined the latest position regarding the 2016/17 budgets. The latest forecast incorporates the most up to date tonnage data (including November 2016) and electricity prices and is outlined in Appendix B (Direct tonnage costs) and Appendix C (Levy costs).
9. One of the key variables reported in the November forecast paper was the Cory refinancing variable and the volatility of the charge for electricity within the General Waste rate. The latest estimate for the completion of the refinancing process is expected to be February/March 2017. The exact value and timing is unknown and will not be certain until after the Authority has to notify the constituent Councils by law of the levy and other rates for 2017/18. The 2016/17 budget assumed electricity prices below the level of the floor which resulted in an electricity charge to the Authority of £11.95 per tonne. Up until October 2016, this has been the amount incurred by the Authority until electricity prices slightly increased in October 2016. If RRRL meet the specific test of energy generation on three particular days of the year set by the National Grid, the Authority may be due 'Triad payments' under the WMSA. Despite electricity prices being below the floor, these may still be due to the Authority and might be worth approximately £0.6 million in 2016/17.
10. In the current year the Authority has utilised the Rates Stabilisation Reserve to reduce the rates charged to constituent Councils. This subsidy was £3.43 per tonne and has reduced the full year charge to the constituent councils by £1.012 million.

This will reduce the balance on the Rates Stabilisation Reserve to an estimated £2.363 million as at 31st March 2017.

11. As stated above, there are three key unknowns in 2016/17 and future years: refinancing, electricity prices and triad payments. In the event that none of these fall to the Authority's favour in 2016/17 the Authority will need to review the current allocations between reserves, including the general reserve, in the June outturn report.

PROPOSALS FOR 2017/18

AWDC RATES

12. The November 2016 estimates for 2016/17 AWDC rates have been marginally amended in the Budgeted AWDC Costs and Income at Appendix B following the experience of waste streams managed to 31st December 2016, the latest mix of inflation indices and latest estimates around electricity.
13. The electricity generated at the Belvedere EfW plant forms part of the General Waste rate under the contract with Cory. The Authority receives income from the electricity generated if the market price exceeds the 'threshold' (uplifted under the terms of the contract, expected to be £60.88 per MWh in 2017/18). However, below this threshold the Authority incurs a charge (up to a floor expected to be £41.75 per MWh in 2017/18). The November forecast offered optimistic and pessimistic electricity cost scenarios ranging from the floor + 7%. Latest market prices increased in October 2016 to just above the floor at £43.08 per MWh but dropped back to £42.27 in November. The budget now estimates the electricity element of the rate to be at the floor for six months of the year and just above for the remainder, generating an average cost of £11.47 per tonne of general waste in 2017/18 (the floor costing £12.28 per tonne). Whilst RRRL sell electricity ahead to mitigate risk regarding the electricity price, they have only done so up to the beginning of April 2017 when a new PPP agreement will be in place which RRRL have not yet entered into for the period post April 2017.
14. Using the assumptions set out above for electricity costs and assuming that refinancing and triad payments do not fall to the Authority's benefit, the general waste rate charge for 2017/18 would be £151 per tonne with no subsidy from the use of reserves. However it is unlikely that this will be the case and taking into account the possible refinancing benefit it is suggested that the contract rate will be nearer to £148 a tonne. This is still a 3% increase above that of the current year

significantly above the level at which constituent councils can increase council tax excluding the Adult Social Care precept without requesting a referendum. In light of this it is proposed to use the Rates Stabilisation Reserve to reduce the final charge rate to £146.30 per tonne, an increase of 2%. The most pessimistic scenario would therefore require the use of an additional £1.3 million from the Rates Stabilisation Reserve in order to fund the subsidy of £4.70 per tonne.

15. The Authority needs to approve a scale of rates for all waste streams managed for 2017/18. The current rates for 2016/17, the proposed rates for 2017/18 and predicted rates for 2018/19 to 2019/20 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 2017/18. 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. It will be noted that without some degree of further stabilisation, an increase in electricity prices or the successful refinancing, that there would need to be a significant above inflation increase in 2018/19 in charge rates in order for the Authority to recover its costs. However, it is likely that successful refinancing will enable the general waste rate to be approximately £3.50 lower than outlined in this table.

Waste Type	Rates per Tonne (£)								
	Current contract cost 2016/17	Market Variable	Current council charge 2016/17	Proposed contract cost 2017/18	Market Variable	Proposed council charge 2017/18	Predicted contract cost 2018/19	Predicted contract cost 2019/20	Predicted contract cost 2020/21
General waste	146.93	-	143.50	150.53	-	146.30	155.80	161.25	166.89
Co-mingled recyclables ¹	24.51	-	25.00	25.74	-	26.00	51.78 ²	53.59	55.47
Green waste ³	57.32	22.50	81.00	60.93	22.50	83.50	63.07	65.27	67.56
Batteries	52.94	-	53.50	55.32	-	55.50	57.26	59.26	61.34
Clinical ⁴	760.94	-	754.50	779.91	-	780.00	807.21	835.46	864.70
Detritus ⁵	73.54	-	74.00	74.00	-	74.00	145.34	150.43	155.69
Electricals	43.70	-25.00	21.50	48.58	-	49.00	50.28	52.04	53.86
Fridges	45.63	-	46.00	47.03	-	47.50	48.68	50.38	52.15
Gas Bottles	122.28	-	122.50	126.05	-	126.50	130.45	135.02	139.75
Glass	27.26	30.00	58.00	27.98	30.00	59.00	29.99	31.04	32.13
Inert	27.25	-	28.00	28.83	-	29.00	29.84	30.88	31.96
Oil/Paint	114.71	-	116.00	119.87	-	120.00	124.06	128.40	132.90
Paper/Cardboard	24.05	-22.00	2.50	25.57	-50.00	-24.00	26.46	27.39	28.35
Scrap Metal	45.70	-40.00	6.50	48.58	-53.21	-4.00	50.28	52.04	53.86
Textiles	17.64	-200.00	-182.00	18.75	-200.00	-181.00	19.40	20.08	20.79
Tyres	262.71	-	260.50	269.25	-	269.50	278.68	288.43	298.53
Wood	43.29	65.00	109.00	46.02	65.00	111.50	47.63	49.30	51.02
Rate per percentage point of contamination									
Co-mingled contamination	1.47	-	1.44	1.51	-	1.46	1.56	1.61	1.67

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

² Assumes the fall out of the reduced rate negotiated with Cory at this stage which was extended until March 2017 from when the one year rolling arrangement is in operation again

³ Less £20 per tonne for constituent councils that deliver all their green waste to the Authority.

⁴ Less £130 per tonne as negotiated with Cory for all clinical waste

⁵ Assumes alternative outlet not available and return to WMSA rates

16. 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.

17. 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.

18. Appendix B 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 boroughs to make their own assumptions with regard to tonnage and contamination. The summary costs per borough are as follows:

	2017/18 December Optimistic £000	2017/18 December Pessimistic £000	2017/18 Budget £000
Hammersmith & Fulham	9,354	9,785	9,572
Kensington and Chelsea	9,357	9,787	9,597
Lambeth	14,299	14,962	14,637
Wandsworth	12,483	13,050	12,871
	45,492	47,584	46,677

19. Estimates are based upon the following annual tonnage levels and average contamination rates experienced in 2016/17 with no allowance for increases:

	Tonnes	General Waste	Co-mingled Recyclate	Contamination (average to date in 16/17)	Other	Total
Hammersmith & Fulham	61,101	11,607	13.38%	1,173	73,881	
Kensington and Chelsea	60,324	16,296	11.63%	1,016	77,635	
Lambeth	93,923	18,336	13.24%	965	113,224	
Wandsworth	79,444	20,440	14.66%	3,328	103,211	

20. 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	89
Kensington and Chelsea	88
Lambeth	137
Wandsworth	116

21. Constituent councils are also asked to note that Appendix B includes the contamination element at the cost of the General Waste rate, however, the real additional cost of contamination is actually the Co-mingled rate of £26.00 per tonne which is calculated at the end of Appendix B for information.

THE LEVY

22. Appendix C details the civic amenity waste and Authority overheads which are apportioned among constituent councils on the basis of council tax-bases through the Levy. These estimates incorporate only minor changes since those outlined in November to the Authority meeting. The Administration and General costs include a provision of £360,000 for consultancy, financial and legal advice in relation to discussions with Battersea Power Station and Cory regarding the potential Cringle redevelopment. All costs relating to Cory refinancing are being met by Cory.

23. In addition to the reduction in the estimate for business rates fees on Authority owned sites as outlined in the November forecast, there is expected to be a further reduction in business rate fees as part of the April 2017 valuations (-£45,000) which has been incorporated into the proposed Levy requirement. Interest on PWLB loans also reduces as they are repaid from cash balances.

24. The Levy requirement due in April 2017 for 2017/18 has therefore reduced from 2016/17 levels to £6.683m. The charges to constituent councils compared to the original 2016/17 Levy requirement are outlined in the table below. The estimates use provisional 2017/18 council tax-bases. Councils are required to notify their approved tax bases for 2017/18 but not all of the formally approved figures were available at the agenda despatch date. It is recommended that authority be delegated to the Treasurer to apportion and formally issue the Levy once final tax-bases for 2017/18 have been confirmed.

	2016/17	2017/18
	£'000	£'000
Hammersmith & Fulham	1,294	1,258
Kensington and Chelsea	1,658	1,586
Lambeth	1,761	1,714
Wandsworth	2,197	2,125
TOTAL	6,910	6,683

25. When setting the 2013/14 Levy the Authority agreed that as far as practicable, the Levy should be held stable so as to minimise the impact on boroughs' council tax and reduce the risk of triggering a council tax referendum. This will continue to be kept under review for future years.

26. 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 Civic Amenity site tonnage. The value of reserves will be reviewed when the outturn position is known in June 2017 to assess if it is appropriate to transfer from the Levy Equalisation to the Rates Stabilisation Reserve as costs funded from the Levy start to stabilise as a result of the conclusion of project costs.

27. Constituent Council's Finance officers have been consulted by email on the charge rates regarding direct tonnage and the Levy. Officers have not expressed any dissent with the proposals contained in this report.

THE GENERAL RESERVE

28. In addition to the risk of one off expenditure on the Levy requirement, there are a number of other uncertainties that could affect the 2016/17 budget. These are detailed in Appendix F. It is proposed to set the General Fund Balance at a level of £2.5 million in 2017/18.

COMMODITY INCOME

29. The constituent councils receive commodity income on recyclables. Up until September 2016, no income had been received since November 2014. During September, £25,000 was generated mainly due to an increase in the value of paper and this has continued each month since. In the November forecast paper, I

suggested that due to the nature of the annual reconciliation of commodity income, this may not be realisable, however, current estimates suggest that this is not the case and this will be transferred to boroughs in appropriate proportions. Constituent councils are advised to make their own assumptions regarding income levels for 2017/18 onwards.

SUMMARY OF COSTS TO CONSTITUENT COUNCILS

30. Boroughs are forecast to incur the following costs in 2017/18 based on the recommended Levy and 2016/17 tonnage levels at the proposed AWDC charges:

	AWDC Charges £'000	Annual Levy £'000	Total £'000
Hammersmith & Fulham	9,572	1,258	10,830
Kensington and Chelsea	9,597	1,586	11,183
Lambeth	14,637	1,714	16,351
Wandsworth	12,871	2,125	14,996
Total	46,677	6,683	53,360

The comparative figures for 2016/17 based on the original budget as reported in February 2016 (plus contamination) are shown below:

	AWDC Charges £'000	Annual Levy £'000	Total £'000
Hammersmith & Fulham	9,358	1,294	10,652
Kensington and Chelsea	9,528	1,658	11,186
Lambeth	14,148	1,761	15,909
Wandsworth	12,557	2,197	14,754
Total	45,591	6,910	52,501

AUTHORITY BUDGETS

31. The original and revised overall Authority budget for 2016/17, the proposed budget for 2017/18 and predicted budget for 2018/19 are shown in the Appendices with the budget methodology at Appendix D. The estimated gross cost for the Authority for 2017/18 compared to the amount as at Levy setting in 2016 for 2016/17 is shown overleaf:

	<u>£'000s</u>
Gross Expenditure 2017/18	55,067
Gross Expenditure 2016/17	<u>53,148</u>
Increase	<u>1,919</u>
Percentage increase	3.6%

£1.3 million of this increase is due to the estimated cost of contamination which was not forecast when the 2016/17 budget was set. The remainder (just over 1%) is due to price changes. The total budgeted and predicted costs to individual constituent councils are shown for the period from 2016/17 to 2018/19 in Appendix E.

RECOMMENDATIONS

32. The Authority is recommended to:

- (a) approve a revised gross expenditure budget for the Authority of £53.7 million for 2016/17 (£46.8 m directly determined by direct tonnage delivered and £6.9 million paid for by the Levy) and £55.1 million for 2017/18 (£48.0 million directly determined by direct tonnage delivered and £7.0 million paid for by the Levy), as presented in the Budgets for Direct costs and Levy costs in Appendices B and C;
- (b) approve the AWDC rates to apply for 2017/18 as detailed on page 5;
- (c) approve the basis of cost recovery as set out in the report, including the residual Levy figure of £6.683 million for 2017/18 for the Treasurer to apportion and issue the levy among the constituent councils.

CHRIS BUSS
Treasurer

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Wandsworth
SW18 2PU

16th January 2017

Forecast from Tonnage Data up to November 2016															Appendix A	
Authority	Large Group	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Forecast 2016/17	Predicted 2017/18 + beyond
CA	Batteries	30	34	35	38	35	35	37	27	13	21	24	17	28	27	27
	Clinical	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Co-Mingle	11	4	123	255	219	351	450	443	392	388	418	456	403	356	356
	Detritus	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Electrical	0	0	86	141	771	1,011	1,023	1,135	1,042	1,137	866	764	848	790	790
	Fridges	103	119	123	142	132	154	130	116	97	86	84	65	59	88	88
	Gas Bottle	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	General	27,320	29,746	28,687	29,968	28,727	29,052	22,746	21,472	20,838	18,681	13,159	12,880	12,355	11,689	11,689
	Glass	116	104	61	64	52	40	37	29	12	0	0	0	0	0	0
	Green	1,236	1,890	1,915	2,300	2,622	2,898	3,013	3,362	3,007	2,742	2,752	2,907	2,749	3,169	3,169
	Inert	2,062	1,777	2,413	2,167	1,771	689	969	1,257	901	333	443	790	830	1,286	1,286
	Oil/Paint	12	25	18	17	16	11	16	19	17	14	20	9	9	18	18
	Paper/Car	644	748	865	1,054	1,153	907	793	745	853	803	625	589	697	807	807
	Scrap Me	1,173	806	1,038	1,068	777	620	435	430	489	437	469	487	573	732	732
	Textiles	69	92	92	126	133	119	142	158	144	166	203	178	204	228	228
	Tyres	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Wood	69	46	480	279	136	88	1,169	1,773	2,095	902	2,263	2,860	3,018	3,442	3,442	
CA Total		32,846	35,391	35,937	37,619	36,545	35,975	30,960	30,965	29,899	25,708	21,324	22,001	21,773	22,633	22,633
HF	Batteries	0	0	0	0	0	1	1	1	1	1	0	1	2	0	0
	Clinical	77	78	82	89	96	87	65	52	49	42	41	36	34	32	32
	Co-Mingle	6,045	9,681	12,662	14,356	15,971	16,173	15,259	16,041	15,635	14,352	12,769	11,821	11,463	11,607	11,607
	Detritus	578	445	779	826	549	772	847	686	667	491	505	500	951	909	909
	Electrical	0	0	0	0	89	119	116	73	44	42	30	24	45	48	48
	Fridges	180	188	174	195	219	183	122	71	32	18	48	73	93	101	101
	Gas Bottle	1	2	2	2	3	2	1	1	2	1	1	1	1	1	1
	General	76,264	76,671	73,264	71,639	68,598	64,296	61,954	59,576	57,517	57,894	59,668	61,334	61,562	61,101	61,101
	Glass	820	576	0	0	0	0	0	0	0	0	0	0	0	0	0
	Green	1,121	767	674	942	1,059	1,049	715	442	422	341	181	97	75	76	76
	Inert	3,382	64	5	13	1	0	0	0	1	0	0	0	0	0	0
	Oil/Paint	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Paper/Car	980	610	3	0	0	0	0	0	0	0	0	0	0	0	0
	Scrap Me	1	1	19	18	33	17	9	9	0	0	0	5	8	6	6
	Textiles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Tyres	0	1	0	1	4	1	1	1	3	0	0	0	1	0	0
Wood	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
HF Total		89,449	89,084	87,666	88,081	86,619	82,700	79,090	76,954	74,374	73,182	73,242	73,892	74,234	73,881	73,881
KC	Batteries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Clinical	5	5	7	4	4	3	3	3	3	3	2	2	4	3	3
	Co-Mingle	8,844	11,142	13,503	16,658	19,356	20,040	19,553	19,854	19,907	17,500	16,855	16,994	16,711	16,296	16,296
	Detritus	386	427	519	1,189	1,285	1,292	744	474	431	571	707	558	650	593	593
	Electrical	0	0	0	0	9	17	28	31	17	6	6	10	37	58	58
	Fridges	138	124	116	144	136	113	91	61	33	15	24	47	60	63	63
	Gas Bottle	1	3	2	2	2	1	3	1	2	1	0	1	1	0	0
	General	79,471	78,171	77,966	75,769	70,813	65,826	62,268	60,380	57,764	58,966	60,620	60,790	61,110	60,324	60,324
	Glass	256	343	21	0	0	0	0	0	0	0	0	0	0	0	0
	Green	46	141	297	426	561	765	899	912	825	649	657	634	494	294	294
	Inert	0	0	2	3	0	6	0	0	0	0	0	0	0	3	3
	Oil/Paint	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Paper/Car	1,165	695	51	45	38	4	2	10	2	1	7	0	0	0	0
	Scrap Me	0	3	0	1	0	0	2	0	0	0	0	0	0	1	1
	Textiles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Tyres	1	1	0	1	1	2	0	0	0	0	0	0	0	1	1
Wood	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	
KC Total		90,311	91,054	92,485	94,241	92,206	88,069	83,595	81,726	78,985	77,711	78,879	79,036	79,065	77,635	77,635

															Forecast	Predicted	
															2017/18 +	beyond	
Authority	Large Gro	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 +	beyond
LA	Batteries	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Clinical	65	74	79	84	90	90	75	48	32	3	2	2	2	2	2	2
	Co-Mingle	62	14,126	17,012	18,649	20,558	20,063	19,189	19,487	20,226	19,327	19,175	18,758	18,379	18,336	18,336	18,336
	Detritus	942	1,266	1,364	1,072	1,282	1,354	1,234	901	576	589	645	555	678	607	607	607
	Electrical	0	0	0	0	65	78	82	53	15	1	0	17	15	13	13	13
	Fridges	319	482	469	472	387	293	227	110	34	9	58	127	138	117	117	117
	Gas Bottle	4	12	25	13	11	8	8	4	4	1	2	2	4	3	3	3
	General	130,374	130,008	124,645	123,115	118,012	108,040	104,267	101,458	93,336	94,805	95,284	94,025	93,471	93,923	93,923	93,923
	Glass	479	6	2	0	0	0	0	0	1	1	0	3	0	0	0	0
	Green	29	2,583	3,957	3,030	3,148	2,366	1,496	469	146	83	94	159	93	93	142	142
	Inert	99	191	55	39	29	17	1	6	4	0	0	2	13	12	12	12
	Oil/Paint	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Paper/Car	371	19	46	45	21	36	95	61	30	35	80	88	59	108	108	108
	Scrap Me	83	161	166	177	79	41	33	37	10	0	0	2	0	2	2	2
	Textiles	0	0	0	0	0	0	5	1	0	0	0	0	0	0	0	0
	Tyres	106	172	98	100	107	103	79	59	29	11	16	14	11	9	9	9
	Wood	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0	0
LA Total		132,932	149,100	147,919	146,796	143,789	132,490	126,790	122,693	114,446	114,864	115,355	113,752	112,862	113,224	113,273	113,273
															Forecast	Predicted	
															2017/18 +	beyond	
WA	Batteries	0	0	0	0	0	3	4	1	0	0	0	0	0	0	0	0
	Clinical	49	47	50	49	49	47	45	46	51	43	43	49	58	59	59	59
	Co-Mingle	13,597	16,897	20,522	23,111	25,998	25,736	24,399	25,143	25,014	23,525	20,384	19,577	19,699	20,440	20,440	20,440
	Detritus	1,422	1,968	2,094	2,683	2,688	2,569	2,828	2,930	2,938	2,904	3,093	2,503	2,609	2,645	2,645	2,645
	Electrical	0	0	0	0	22	11	9	4	2	1	2	1	3	2	2	2
	Fridges	331	314	258	265	204	124	95	68	32	9	46	103	128	131	131	131
	Gas Bottle	1	2	2	2	1	3	1	1	2	1	1	1	3	1	1	1
	General	114,598	104,795	93,178	89,731	85,426	80,609	78,259	75,635	72,550	73,749	76,298	77,782	79,542	79,444	79,444	79,444
	Glass	596	388	11	0	0	0	0	12	2	0	0	0	0	0	0	0
	Green	1,148	1,127	1,419	1,219	771	805	701	822	1,226	1,399	389	506	482	482	555	555
	Inert	790	816	872	697	4	3	0	0	3	0	0	1	12	6	6	6
	Oil/Paint	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0
	Paper/Car	1,115	587	122	108	59	59	42	42	35	0	0	0	0	0	0	0
	Scrap Me	0	2	4	9	8	4	0	0	0	0	0	0	0	0	0	0
	Textiles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Tyres	6	10	17	10	33	30	28	18	2	4	5	2	1	2	2	2
	Wood	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WA Total		133,652	126,952	118,549	117,883	115,262	110,004	106,411	104,723	101,857	101,636	100,262	100,526	102,538	103,211	103,285	103,285
															Forecast	Predicted	
															2017/18 +	beyond	
TOTALS	Batteries	30	34	35	38	35	39	42	29	14	22	24	17	30	27	27	27
	Clinical	196	204	218	226	238	227	189	150	135	91	87	89	98	96	96	96
	Co-Mingle	28,560	51,849	63,822	73,029	82,102	82,364	78,850	80,967	81,174	75,091	69,601	67,606	66,654	67,035	67,035	67,035
	Detritus	3,328	4,106	4,757	5,770	5,804	5,987	5,653	4,990	4,612	4,554	4,950	4,115	4,888	4,755	4,755	4,755
	Electrical	0	0	86	141	956	1,237	1,257	1,295	1,120	1,187	903	816	947	911	911	911
	Fridges	1,070	1,228	1,141	1,218	1,078	867	665	427	228	137	260	415	478	500	500	500
	Gas Bottle	7	19	32	19	17	15	13	8	10	4	4	4	9	5	5	5
	General	428,026	419,390	397,740	390,221	371,576	347,823	329,494	318,520	302,005	304,096	305,030	306,811	308,039	306,481	306,481	306,481
	Glass	2,267	1,416	96	64	52	40	37	41	15	1	0	3	0	0	0	0
	Green	3,580	6,509	8,262	7,917	8,161	7,883	6,824	6,006	5,626	5,214	4,072	4,304	3,892	4,113	4,235	4,235
	Inert	6,333	2,848	3,347	2,919	1,804	714	971	1,263	909	333	443	794	855	1,306	1,306	1,306
	Oil/Paint	12	25	18	17	16	11	16	20	17	14	21	9	9	18	18	18
	Paper/Car	4,274	2,659	1,087	1,253	1,271	1,007	932	859	920	839	711	677	755	915	915	915
	Scrap Me	1,258	973	1,227	1,272	897	683	480	476	499	437	469	494	581	742	742	742
	Textiles	69	92	92	126	133	119	147	159	144	166	203	178	204	228	228	228
	Tyres	113	183	116	111	144	136	107	78	35	15	22	16	13	11	11	11
	Wood	69	46	480	279	136	88	1,169	1,773	2,098	902	2,263	2,860	3,018	3,442	3,442	3,442
TOTALS		479,190	491,582	482,555	484,620	474,422	449,239	426,845	417,060	399,561	393,101	389,064	389,207	390,471	390,585	390,708	390,708

Note: Forecasts for 2016/2017 and Predictions for 2017/18 and beyond are based on 6 months tonnage data to the end of September 2016.
Co-Mingled and General Waste Tonnages are as delivered and do not allow for any contamination content

Budgeted AWDC Costs and Income

ITEM	2016/17	2016/17	2017/18 as	2017/18 as	2017/18	2018/19
	Budget	Revised	Predicted Dec	Predicted Dec	Budget	Predicted
	£000	£000	£000	£000	£000	£000
			Optimistic with refinancing	Pessimistic with refinancing		
<u>Direct Tonnage costs (AWDC)</u>						
<u>Operating Expenditure</u>						
General Waste	43,420	44,637	44,200	45,195	45,472	47,008
Co-mingled Recyclate	1,618	1,634	1,691	1,738	1,717	3,452
Other	885	529	813	822	833	852
	45,923	46,800	46,704	47,756	48,021	51,312
<u>Direct Tonnage Income (AWDC)</u>						
General Waste						
Hammersmith & Fulham	-8,792	-8,768	-8,908	-9,142	-8,939	-9,519
Kensington and Chelsea	-8,817	-8,657	-8,824	-9,057	-8,825	-9,398
Lambeth	-13,333	-13,478	-13,703	-14,064	-13,741	-14,633
Wandsworth	-11,428	-11,400	-11,630	-11,937	-11,623	-12,377
Co-mingled Recyclate						
Hammersmith & Fulham	-283	-290	-296	-302	-302	-604
Kensington and Chelsea	-417	-407	-420	-428	-424	-847
Lambeth	-453	-458	-472	-481	-477	-953
Wandsworth	-481	-511	-522	-533	-531	-1,063
Contamination*						
Hammersmith & Fulham	0	-176	-214	-220	-227	-242
Kensington and Chelsea	0	-210	-269	-276	-277	-295
Lambeth	0	-283	-346	-355	-355	-378
Wandsworth	0	-363	-438	-449	-438	-467
Other						
Hammersmith & Fulham	-108	-103	-107	-108	-104	-108
Kensington and Chelsea	-85	-69	-71	-71	-70	-73
Lambeth	-78	-64	-58	-58	-64	-67
Wandsworth	-285	-275	-274	-276	-278	-288
	-44,559	-45,513	-46,551	-47,755	-46,677	-51,312
AWDC (surplus)/ deficit	1,363	1,287	153	0	1,345	0
TOTAL PER BOROUGH						
Hammersmith & Fulham	-9,183	-9,337	-9,525	-9,771	-9,572	-10,473
Kensington and Chelsea	-9,318	-9,343	-9,583	-9,832	-9,597	-10,614
Lambeth	-13,864	-14,283	-14,579	-14,958	-14,637	-16,031
Wandsworth	-12,194	-12,550	-12,864	-13,194	-12,871	-14,195
	-44,559	-45,513	-46,551	-47,755	-46,677	-51,312

Note: Contamination costs are shown in this table within the cost of the General Waste rate. However, contamination should really be put in the black bag in the first place so the real additional cost of contamination is actually the Co-mingled rate of £26.00 per tonne (2017/18 rates) which is analysed as follows for 2017/18:

	£'000
Hammersmith & Fulham	40
Kensington and Chelsea	49
Lambeth	63
Wandsworth	78

APPENDIX C

LEVY CHARGE

<u>LEVY cost</u>	2016/17	2016/17	2017/18 as	2017/18 as	2017/18	2018/19
	Budget £000	Revised £000	Predicted Dec £000	Predicted Dec £000	Budget £000	Predicted £000
			Optimistic	Pessimistic		
Employees	510	534	554	554	554	559
LPFA Levy	215	223	227	239	239	223
Business Rates	909	595	609	612	550	561
Administration & General -Legal/ Consultancy costs	410	410	410	500	360	310
Administration & General - Other direct costs	273	212	212	262	263	268
Golden Ticket campaign	-	150	-	150		
WBC Financial support	70	70	64	64	71	72
WBC Admin support	44	43	38	38	44	45
CA site Tonnage	3,218	2,986	3,052	3,141	3,613	3,685
Capital charged to Revenue	400	400	400	400	200	200
Capital Financing	1,177	1,245	1,152	1,152	1,152	1,066
Total Cost	7,225	6,867	6,719	7,113	7,046	6,990
Miscellaneous Income	-358	-358	363	150	-363	0
Grant income	0	-24	-	-		
Levy Income	-6,910	-6,910	6,356	6,963	-6,683	-6,990
Total Income	-7,268	-7,292	-6,719	-7,113	-7,046	-6,990
Levy (surplus)/ deficit	-43	-425	0	0	0	0

Levy per Borough	2016 /17 Budget £000	2017/18 as Predicted Nov £000	2017/18 Budget £000
Hammersmith & Fulham	-1,294	-1,190	-1,258
Kensington and Chelsea	-1,658	-1,525	-1,586
Lambeth	-1,761	-1,620	-1,714
Wandsworth	-2,197	-2,021	-2,125
Total	-6,910	-6,356	-6,683

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 3.5% general inflation year on year after 2017/18.

General waste charges. General Waste tonnages in 2016/17 have remained fairly consistent in the current financial year compared to the previous year except for tonnages received at the Civic Amenity site which have reduced by around 5% compared to the previous year. Electricity is currently a charge to the Authority at an estimated £11.58 per tonne in 2017/18.

Recycling and minor waste streams. Recycling tonnages are forecast to be very similar to budgeted levels in 2016/17 and there is no prediction for growth in future years.

Business Rates. The April 2017 valuation has generated reduced rating valuations for the site at Smugglers Way from £820,000 to £705,000 and Cringle Dock from £330,000 to £270,000 effective from 1st April 2017. The national multiplier applied to rateable values in 2016/17 is 49.7p in the pound. Rates budgets for 2016/17 and beyond reflect the revised expected business rates costs from the 2017 valuation and an allowance for potential local supplements.

LATS. The LATS scheme no longer exists from 2013/14 onwards.

Administration & General. Administration costs include the revised budgeted programme for the Recycle Western Riverside 5 programme and project costs of £150,000 (as outlined in Paper WRWA 823). The Administration & General costs include a provision of £360,000 consultancy and legal advice in relation to discussions with Battersea Power Station regarding potential Cringle redevelopment.

Capital charged to Revenue. The redevelopment work at Cringle will require adaptation works at Feather's Wharf in order to relocate some operations, e.g. bulk waste handling. A provision of £200,000 has been included in the 2017/18 budget.

Capital Financing. Included in the capital financing costs is the MRF funding and the MRP provision for the repayment of debt for the loans advanced to fund the MRF capital expenditure.

Miscellaneous Income. £155,000 reflects the current level of income from Westminster Council for the use of Civic Amenity sites plus recharged costs of £50,000 from Lambeth Council for the transport of material from the Vale Street Civic Amenity site as a result of the Repeal of Section 1 of the Refuse Disposal (Amenity) Act 1978. An amount is also included in the budget for the rental income for the Feather's Wharf site in 2017/18. No allowance for this level of income has been made in 2018/19 onwards.

TOTAL BUDGETED/PREDICTED COSTS TO CONSTITUENT COUNCILS

BUDGET PERIOD & CONSTITUENT BOROUGH	AWDC CHARGES £000s	LEVY £000s	TOTAL £000s
2016/17 Original Budget			
Hammersmith & Fulham	9,183	1,294	10,477
Kensington and Chelsea	9,318	1,658	10,976
Lambeth	13,864	1,761	15,625
Wandsworth	12,194	2,197	14,391
Total	44,559	6,910	51,469
2016/17 Revised Budget			
Hammersmith & Fulham	9,337	1,294	10,631
Kensington and Chelsea	9,343	1,658	11,001
Lambeth	14,283	1,761	16,044
Wandsworth	12,550	2,197	14,747
Total	45,513	6,910	52,423
2017/18 Budget			
Hammersmith & Fulham	9,572	1,258	10,830
Kensington and Chelsea	9,597	1,586	11,183
Lambeth	14,637	1,714	16,351
Wandsworth	12,871	2,125	14,996
Total	46,677	6,683	53,360
2018/19 Predicted			
Hammersmith & Fulham	10,473	1,316	11,789
Kensington and Chelsea	10,614	1,659	12,273
Lambeth	16,031	1,793	17,824
Wandsworth	14,195	2,222	16,417
Total	51,313	6,990	58,303

GENERAL RESERVE REQUIREMENT 2017/18

The General Reserve provides a buffer available to finance new expenditure and variations in costs not sufficiently definite to be built into the assessment of the formal budget requirement. Specific risks in 2017/18 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	100
(2) Increased interest costs for refinancing of loans	50
(3) Extra legal/consultancy fees etc	400
(4) Recycling commodity income replaced by additional charges	100
(5) New expenditure initiatives – recycling, staffing, etc.	100
(6) New legislation	100
(7) Potential additional costs in relation to any development at Cringle Dock	650
(8) Additional tonnage at CA Site	400
(9) Uncertainties over electricity costs at the EfW plant*	220
(10) Failure to meet refinancing	1,200
TOTAL	3,320

*based upon existing levels of General waste tonnage and current estimated electricity cost, a drop to the floor level for the full year on electricity generated at Belvedere will cost £220,000.

Overall, in the light of recent experience, a General Reserve of £2.5 million is considered prudent, representing around 75% of the potential risks identified, particularly in light of the reducing balance within the Rate Stabilisation reserve as detailed in this paper. £2.5 million for 2017/18 represents approximately 5% of gross expenditure.