

**ITEM 7****PAPER NO. WRWA 831****WESTERN RIVERSIDE WASTE AUTHORITY**

<b>MEETING</b>	28th June 2017
<b>REPORT AUTHOR/ DATE</b>	Treasurer (Chris Buss-Tel 0208 871 2788) 20th June 2017
<b>SUBJECT</b>	Report of the Treasurer on the Authority's Outturn position for 2016/17.
<b>CONTENTS</b>	Page 1 Executive Summary and Background Page 3 Recommendations Page 4 Table 1 - Outturn position Page 7 Table 2 - Tonnage data for 2016/17
<b>STATUS</b>	Open - circulation of this paper is not restricted.
<b>BACKGROUND PAPERS</b>	No background papers were used in the production of this report

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## **EXECUTIVE SUMMARY AND BACKGROUND**

1. The outturn position, showing the Authority's actual income and expenditure when compared to the budget for 2016/17 is presented for information to this Authority meeting. Following changes arising from The Accounts and Audit (England) Regulations 2011, the Authority no longer receives a copy of the draft accounts but instead will be asked to approve the Statement of Accounts once audited, in September 2017.

## **ACCOUNTS 2016/17**

2. The outturn position against budget is detailed at Table 1 for information. The net position for Operating expenditure (direct tonnage charges to boroughs) is a surplus of £326,000. The surplus compares to a budgeted deficit of £1.287m in part due to the annual rebate from RRRL in relation to 'Triad payments' which are due to the Authority as part of the 'Energy uplift refund' under the WMSA. RRRL successfully met the specific test of energy generation on three particular days of the year set by the National Grid which, are passed over to WRWA in proportion to the Authority's tonnage levels at the plant. This was worth £1.4 million in 2016/17 but was not included in the budget due to the uncertainty of the payment.
3. General running costs and CA site expenditure funded by the Levy has underspent by £1.4 million compared to the revised budget set in January 2017. In the main this was due to a reduced volume of tonnage delivered to the CA site than budgeted (-£701,000). The Authority has also recovered all legal and consultancy costs relating to the Cringle Dock redevelopment proposals from BPS and all costs relating to Cory refinancing from Cory (-£182,000). Net budgets were set up within WRWA accounts in case discussions were unsuccessful and WRWA had to incur the costs. Again the provision of £400,000 capital expenditure as part of the Cringle Dock redevelopment remains unspent. The remaining underspend (-£88,000) relates to general running costs and payments to Wandsworth in respect of financial and administrative support.
4. As the responsible financial officer, the Treasurer is required to sign and date the statement accounts for 2016/17 by 30th June 2017, but not present them to the Authority meeting. The auditing standards placed on the external auditor, KPMG, require that the Auditor makes a report to the Authority by 30th September 2017, following the Audit of the accounts, as a prelude to issuing a formal Opinion on the Authority's accounts.
5. At its next meeting in September 2017, following the Audit, the Authority will receive:-
  - the audited accounts for approval;
  - the Letter of Representation to authorise its signing by the Treasurer;
  - the letter from the Auditor, KPMG; and
  - the Auditor's formal Opinion.

## **OUTLOOK FOR 2017/18 and future years**

6. When setting the rates in January 2017 for 2017/18 (Paper No. WRWA 824) the General Waste rate was set at £146.30, a subsidy of £4.70 per tonne, totalling £1.3 million subsidy from the Rates Stabilisation Reserve. This was based upon the most pessimistic scenario where refinancing was unsuccessful, electricity prices remained low and Triad payments were not hit. The success of the refinancing will now reduce the estimated cost of General Waste by £4.44 per tonne, reducing the required subsidy. However, despite a rise in electricity prices at the end of 2016/17, electricity prices continue to be low as expected and if they continue at these levels throughout 2017/18, the Authority will not benefit from additional income from the achievement of any Triads during the year as these will be retained by RRRL under the WMSA to bridge the gap between actual energy prices and the floor charged to the Authority.
7. The level of inflation is currently at a high for recent years and the index linking clauses within the WMSA mean that these higher costs will flow through to the Authority and therefore onto the charges made to the constituent Councils. If not ameliorated, the cost will then fall to the council tax payers. In order to keep any increases to a minimum or to avoid them at all, it would be necessary for the Authority to have adequate reserves to damp down these increases. In view of this, I am therefore recommending that the surplus of £2.1million is transferred to the Rates Stabilisation Reserve in order to top up the expected use in 2017/18 and provide stability for future waste rates.

### RESERVES POLICY

8. The Authority has a number of reserves set aside for either specific or general purposes. Two of which are the Levy Equalisation Reserve and the Rates Stabilisation Reserve. As at 31<sup>st</sup> March 2016 the respective balances were £1.105 million and £3.375 million respectively. These two reserves were established to enable the Authority to avoid sudden increases in either the Levy or EFW general waste rates. It is proposed that with effect from 1<sup>st</sup> April 2017 that these two reserves be merged enabling the Authority to have greater flexibility in how it meets spending pressures on these two key areas.
9. One area where the Authority may be able to reduce costs within the Levy is by the redemption of debt: £2 million of debt is due to be either renewed or repaid in the next 12 months. At present there is no budget provision to redeem this debt but it is proposed to authorise the Treasurer to repay some or all of this debt when it is due for redemption either from this reserve or the general reserve; subject to it not impacting on the ability to keep the 2018/19 Levy and waste rates at a level below any referendum limit the government may impose. The ability to do this will be clearer in the November forecast report.
10. The Authority also has a Pension Liability Reserve with a balance of £1.8 million. The Actuary for the Pension fund (administered by the LPFA) has reported on the triennial valuation that as at 31<sup>st</sup> March 2016, the Authority's element of the LPFA fund was fully funded. This valuation, although it is a forward look, is still only valid as at that point in time and the fund will be subject to market pressures which could mean that the

funding level drops due to investments not performing as well as could be expected. In light of this it is proposed to retain the Pension Liability Reserve at this time.

11. Last year the Authority established a Recycling Initiatives Reserve with a balance of £250,000. There are two reports elsewhere on this agenda which draw on this reserve and the consultant's study proposed for later this year could well increase the call on this reserve. It is not proposed to increase this reserve at this time but to review the adequacy of it or need to increase it when the budget is set in January 2018.

## **RECOMMENDATIONS**

12. The Authority is recommended to
  - a) note the outturn position for 2016/17 (Table 1)
  - b) agree the recommended changes to the use of reserves set out in paragraph 8; and
  - c) authorise the Treasurer to redeem up to £2 million of debt as set out in paragraph 9.

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CHRIS BUSS  
Treasurer

Western Riverside Transfer Station  
Smugglers Way  
Wandsworth  
London SW18 1JS

20th June 2017

Summary of Revenue Outturn 2016/17

ITEM	Revised Budget £000	Outturn £000	Variance £000
<u>Direct Tonnage costs (AWDC)</u>			
<u>Operating Expenditure</u>			
General Waste	44,637	42,793	-1,844
Co-mingled Recyclate	1,634	1,626	-8
Other	529	552	23
	<hr/> 46,800	<hr/> 44,971	<hr/> -1,829
<u>Direct Tonnage Income (AWDC)</u>			
TOTAL PER BOROUGH			
Hammersmith & Fulham	-9,337	-9,275	62
Kensington & Chelsea	-9,343	-9,355	-12
Lambeth	-14,283	-14,192	91
Wandsworth	-12,550	-12,475	75
	<hr/> -45,513	<hr/> -45,297	<hr/> 216
AWDC (surplus)/ deficit	1,287	-326	-1,613
<u>LEVY cost</u>			
Employees	534	507	-27
LPFA Levy	223	229	6
Business Rates	595	579	-15
Administration & General -Legal/ Consultancy costs	410	584	174
Administration & General - Other direct costs	212	189	-23
Golden Ticket Campaign	150	142	-8
WBC Financial support	70	50	-20
WBC Admin support	43	41	-2
CA site Tonnage and running costs	2,986	2,285	-701
Capital charged to Revenue	400	0	-400
Capital Financing	1,245	1,245	0
Total Cost	<hr/> 6,867	<hr/> 5,850	<hr/> -1,017
Westminster Council use of CA site	-155	-155	0
Miscellaneous Income	-203	-559	-356
Grant Income	-24	-23	1
Levy Income	-6,910	-6,910	0
Total Income	<hr/> -7,292	<hr/> -7,647	<hr/> -355
Levy (surplus)/ deficit	-425	-1,797	-1,372

## Notes of Main Variances

### Direct Tonnage Costs (-£1.6 million)

RRRL achieved their Triad targets which generated a surplus of £1.4 million which was not incorporated within the budget assumptions in February 2017 due to its uncertainty. The remainder of the underspend was due to slightly lower tonnage levels than predicted at budget setting time.

### Civic Amenity Site (-£701,000)

A reduced level of tonnage was delivered to the CA site compared to expected levels when setting the budget in January 2017 (Total tonnage levels reduced by 6.7% compared to 2015/16)

### Administration and General – Legal/ Consultancy costs (+£174,000) and Miscellaneous Income (-£356,000)

The Authority has incurred higher than anticipated expenditure on legal and consultancy costs relating to both Cory refinancing and the Cringle Dock redevelopment proposals. However, these were fully recharged to respective third parties (-£356,000).

### Capital charged to Revenue (-£400,000)

A budget of £400,000 was set up to fund the possible adaptation works at Feather's Wharf in order to relocate some operations including bulk waste handling. This was not required in 2016/17, generating a £400,000 underspend.

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Table 2

Authority	Charge Group	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
CA	Batteries	34	35	38	35	35	37	27	13	21	24	17	28	18
	Clinical													
	Co-Mingled Recyclables	4	123	255	219	351	450	443	392	388	418	456	403	339
	Detritus													
	Electricals		86	141	771	1,011	1,023	1,135	1,042	1,137	866	764	848	527
	Fridges	119	123	142	132	154	130	116	97	86	84	65	59	59
	Gas Bottles	0												
	General	29,746	28,687	29,968	28,727	29,052	22,746	21,472	20,838	18,681	13,159	12,880	12,355	11,792
	Glass	104	61	64	52	40	37	29	12					
	Green	1,890	1,915	2,300	2,622	2,898	3,013	3,362	3,007	2,742	2,752	2,907	2,749	3,217
	Inert	1,777	2,413	2,167	1,771	689	969	1,257	901	333	443	790	830	857
	Oil/Paint	25	18	17	16	11	16	19	17	14	20	9	9	12
	Paper/Cardboard	748	865	1,054	1,153	907	793	745	853	803	625	589	697	538
	Scrap Metal	806	1,038	1,068	777	620	435	430	489	437	469	487	573	488
	Textiles	92	92	126	133	119	142	158	144	166	203	178	204	152
	Tyres					0							0	
	Wood	46	480	279	136	88	1,169	1,773	2,095	902	2,263	2,860	3,018	2,295
CA Total		35,391	35,937	37,619	36,545	35,975	30,960	30,965	29,899	25,708	21,324	22,001	21,773	20,293

  

Authority	Charge Group	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
HF	Batteries	78	82	89	96	87	65	52	49	42	41	36	34	30
	Clinical													
	Co-Mingled Recyclables	9,681	12,662	14,356	15,971	16,173	15,259	16,041	15,635	14,352	12,769	11,821	11,463	11,520
	Detritus	445	779	826	549	772	847	686	667	491	505	500	951	813
	Electricals				89	119	116	73	44	42	30	24	45	44
	Fridges	188	174	195	219	183	122	71	32	18	48	73	93	101
	Gas Bottles	2	2	2	3	2	1	1	2	1	1	1	1	1
	General	76,671	73,264	71,639	68,598	64,296	61,954	59,576	57,517	57,894	59,668	61,334	61,562	60,502
	Glass	576												
	Green	767	674	942	1,059	1,049	715	442	422	341	181	97	75	114
	Inert	64	5	13	1				1					
	Oil/Paint								0					
	Paper/Cardboard	610	3				0					5	8	11
	Scrap Metal	1	19	18	33	17	9	9						
	Textiles													
	Tyres	1	0	1	4	1	1	1	3	0	0	0	1	
	Wood													
HF Total		89,084	87,666	88,081	86,619	82,700	79,090	76,954	74,374	73,182	73,242	73,892	74,234	73,236

  

Authority	Charge Group	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
KC	Batteries					0	0	0						
	Clinical	5	7	4	4	3	3	3	3	3	2	2	4	3
	Co-Mingled Recyclables	11,142	13,503	16,658	19,356	20,040	19,553	19,854	19,907	17,500	16,855	16,994	16,711	16,307
	Detritus	427	519	1,189	1,285	1,292	744	474	431	571	707	558	650	536
	Electricals				9	17	28	31	17	6	6	10	37	49
	Fridges	124	116	144	136	113	91	61	33	15	24	47	60	64
	Gas Bottles	3	2	2	2	1	3	1	2	1	0	1	1	1
	General	78,171	77,966	75,769	70,813	65,826	62,268	60,380	57,764	58,966	60,620	60,790	61,110	60,292
	Glass	343	21											
	Green	141	297	426	561	765	899	912	825	649	657	634	494	359
	Inert		2	3		6								
	Oil/Paint							0						
	Paper/Cardboard	695	51	45	38	4	2	10	2	1	7			
	Scrap Metal	3		1	0	0	2	0	0	0	0		0	1
	Textiles													
	Tyres	1	0	1	1	2	0	0	0	0	0	0		
	Wood													
KC Total		91,054	92,485	94,241	92,206	88,069	83,595	81,726	78,985	77,711	78,879	79,036	79,065	77,613

Authority	Charge Group	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
LA	Batteries													
	Clinical	74	79	84	90	90	75	48	32	3	2	2	2	2
	Co-Mingled Recyclables	14,126	17,012	18,649	20,558	20,063	19,189	19,487	20,226	19,327	19,175	18,758	18,379	18,388
	Detritus	1,266	1,364	1,072	1,282	1,354	1,234	901	576	589	645	555	678	587
	Electricals				65	78	82	53	15	1	0	17	15	175
	Fridges	482	469	472	387	293	227	110	34	9	58	127	138	194
	Gas Bottles	12	25	13	11	8	8	4	4	1	2	2	4	2
	General	130,008	124,645	123,115	118,012	108,040	104,267	101,458	93,336	94,805	95,284	94,025	93,471	92,784
	Glass	6	2					1	1				3	
	Green	2,583	3,957	3,030	3,148	2,366	1,496	469	146	83	94	159	93	93
	Inert	191	55	39	29	17	1	6	4			2	13	10
	Oil/Paint													
	Paper/Cardboard	19	46	45	21	36	95	61	30	35	80	88	59	321
	Scrap Metal	161	166	177	79	41	33	37	10			2		150
	Textiles						5	1						
	Tyres	172	98	100	107	103	79	59	29	11	16	14	11	8
	Wood							3						273
LA Total		149,100	147,919	146,796	143,789	132,490	126,790	122,693	114,446	114,864	115,355	113,752	112,862	112,988

  

Authority	Charge Group	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
WA	Batteries						3	4		1				
	Clinical	47	50	49	49	47	45	46	51	43	43	49	58	60
	Co-Mingled Recyclables	16,897	20,522	23,111	25,998	25,736	24,399	25,143	25,014	23,525	20,384	19,577	19,699	20,180
	Detritus	1,968	2,094	2,683	2,688	2,569	2,828	2,930	2,938	2,904	3,093	2,503	2,609	2,482
	Electricals				22	11	9	4	2	1	2	1	3	3
	Fridges	314	258	265	204	124	95	68	32	9	46	103	128	123
	Gas Bottles	2	2	2	1	3	1	1	2	1	1	1	3	1
	General	104,795	93,178	89,731	85,426	80,609	78,259	75,635	72,550	73,749	76,298	77,782	79,542	79,034
	Glass	388	11					12	2					
	Green	1,127	1,419	1,219	771	805	701	822	1,226	1,399	389	506	482	482
	Inert	816	872	697	4	3		3				1	12	4
	Oil/Paint							0						
	Paper/Cardboard	587	122	108	59	59	42	42	35					
	Scrap Metal	2	4	9	8	4	0	0		0	0			
	Textiles													
	Tyres	10	17	10	33	30	28	18	2	4	5	2	1	2
	Wood													
WA Total		126,952	118,549	117,883	115,262	110,004	106,411	104,723	101,857	101,636	100,262	100,526	102,538	102,371

  

Authority	Charge Group	2004/05	2005/06	2006/07	2007/08	2008/09	2009/1
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