

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	6TH FEBRUARY 2018
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 871 2788) 29th January 2018
SUBJECT	Report of the Treasurer on the Authority's Budget and Levy for 2018/19 and the prospects for 2019/20 and beyond.
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STATUS	Open-circulation of this paper is not restricted.
BACKGROUND PAPERS	Budget Forecast Paper No. WRWA 841 including Appendices A - D – considered at the meeting of the Authority on 21st November 2017.

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EXECUTIVE SUMMARY AND BACKGROUND

1. This budget report updates the budget forecast report considered at the Authority meeting on 21st November 2017 (Paper No. WRWA 841). The original budget of the Authority for 2017/18 is compared with the revised budget for the year and provides recommendations for the Levy and Apportionment of Waste Disposal Costs (AWDC) rates for 2018/19 and prospects for 2019/20-2021/22.
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. All waste streams delivered by constituent councils are subject to specified rates per tonne, irrespective of whether they are from household or commercial sources, 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 2018/19 are compared with the current year's rates at paragraph 15 for approval. Predicted rates for 2019/20 to 2021/22 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 (WRWA 850 on this agenda).
6. The Authority has seen general waste tonnage delivered by the constituent councils reduce slightly (1%) in the current financial year compared to the previous year (although there are fluctuations across the boroughs). Estimates set out in this paper do not incorporate any further increases above 2017/18 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 2% 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 2017/18

7. The Reserve balances 1st April 2017 were as follows:

General Fund Reserve	£4,000,000
Rates and Levy stabilisation Reserve*	£6,829,000
Recycling Reserve	£250,000
Pension Liability Reserve	£1,800,000
Total Usable Reserves	£12,880,000

*Paper No. WRWA 831 in June 2017 approved the combining of the previous Rates Stabilisation Reserve with the Levy Equalisation Reserve

The General Fund reserve 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.

8. The Budget Forecast report (Paper No. WRWA 841) to the Authority meeting in November 2017 outlined the latest position regarding the 2017/18 budgets. The latest forecast incorporates the most up to date tonnage data (including December 2017) and electricity prices and is outlined in Appendix B to the General Manager's report (WRWA ??? on this agenda) (Direct tonnage costs) and Appendix B to this report (Levy costs).
9. The 2017/18 budget assumed electricity prices on average 0.5% above the floor which resulted in an electricity charge to the Authority of £11.58 per tonne. Actual electricity prices have been higher than predicted (although varying for seasonable fluctuations) and have averaged 9% higher than the floor for the first seven months of the year. The current estimated average charge to the Authority per tonne is £9.13 which has contributed to a surplus of £730,000 on general waste rates in year. 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. As electricity prices are above the floor, it is now expected that these will be due to the Authority and might be worth approximately £1.2 million in 2017/18.

10. As outlined in Paper No. WRWA 841, when the budget was set in January 2017 there was a planned subsidisation of AWDC rates. However, this was before the finalisation of the refinancing deal which, along with electricity prices, was slightly better than expected. The current forecast in 2017/18 is of a surplus of around £930,000 on AWDC rates, which is slightly higher than the £820,000 predicted in November. The current estimated surplus on the Levy element of costs is approximately £810,000, due to similar reasons as outlined above relating to tonnage at the CA site.
11. A general principle behind the budget is that as far as practicable, the Authority reduces its debt. At the beginning of 2017/18, the value of outstanding PWLB loans was £10.5million. During the year, £2million has fallen due. It is proposed to repay this sum which will reduce the annual Minimum Revenue Payment which needs to be charged to the accounts.
12. Any final surplus at the end of the year will therefore either be used to redeem debt in current or future years, or transferred to the reserve to use to subsidise future charges.

PROPOSALS FOR 2018/19

AWDC RATES

13. The November 2017 estimates for 2018/19 AWDC rates have been marginally amended in the Budgeted AWDC Costs and Income at Appendix A following the experience of waste streams managed to 31st December 2017, the latest mix of inflation indices and latest estimates around electricity.
14. 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 £63.24 per MWh in 2018/19). However, below this threshold the Authority incurs a charge (up to a floor expected to be £43.37 per MWh in 2018/19). The November forecast offered optimistic and pessimistic electricity cost scenarios ranging from the floor + 2.5%. Market prices have been marginally above the floor during 2017/18 and rose to £49.75 per MWh in November. The budget now estimates the electricity element of the rate to be just above the floor for six months of the year and approximately 13% above for the

remainder, generating an average cost of £10.78 per tonne of general waste in 2018/19 (the floor costing £12.76 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 2018 when a new PPP agreement will be in place. RRRL are expecting to sign a new PPP agreement imminently and a verbal update with regard to the financial impact of this, if any, will be provided at the Authority meeting.

15. 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 2018/19 would be £150 per tonne with no subsidy from the use of reserves. This is lower than even the optimistic scenario outlined in the November forecast paper, at a 2.5% increase from 2017/18 levels. However, as the November paper assumed the use of reserves of between £2.32 and £3.63 per tonne to fix the rate at £149.50, it is proposed to use a similar subsidy in order to set the final charge rate at £147.50, an increase of just 0.8% on the 2017/18 rate of £146.30. Based upon current assumptions, this would require the use of an additional £0.7 million from the Rates Stabilisation Reserve in order to fund the subsidy of £2.50 per tonne.
16. The Authority needs to approve a scale of rates for all waste streams managed for 2018/19. The current rates for 2017/18, the proposed rates for 2018/19 and predicted rates for 2019/20 to 2021/22 are detailed opposite. 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 2018/19. 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 via the use of the reserves, or an increase in electricity prices or further income from Triad payments, that there could be a significant above inflation increase in 2019/20 or future years in charge rates in order for the Authority to recover its costs. To mitigate the impact of this, it is proposed that reserve balances be retained to enable the continued subsidy of rates in the immediate future to ensure a smoothed increase in costs to Constituent Councils.

Waste Type	Rates per Tonne (£)								
	Current contract cost 2017/18	Market Variable	Current council charge 2017/18	Proposed contract cost 2018/19	Market Variable	Proposed council charge 2018/19	Predicted contract cost 2019/20	Predicted contract cost 2020/21	Predicted contract cost 2021/22
General waste	143.23	-	146.30	149.58	-	147.50	154.81	160.23	165.84
Co-mingled recyclables ¹	25.58	-	26.00	26.56	-	27.00	52.49 ²	54.32	56.22
Green waste ³	60.71	22.50	83.50	63.51	24.00	88.00	65.74	68.04	70.42
Batteries	55.31	-	55.50	57.45	-	57.50	59.46	61.54	63.69
Clinical ⁴	651.19	-	650.00	681.87	-	682.00	705.74	730.44	756.00
Detritus ⁵	75.48	-	74.00	78.45	-	78.50	81.19	84.03	86.98
Electricals	48.40	-	49.00	50.63	-	51.00	52.40	54.24	56.14
Fridges	47.03	-	47.50	48.44	-	48.50	50.13	51.89	53.70
Gas Bottles	126.05	-	126.50	129.81	-	130.00	134.36	139.06	143.93
Glass	28.87	18.00	59.00	30.20	6.00	36.50	31.26	32.35	33.49
Inert	28.67	-	29.00	29.85	-	30.00	30.90	31.98	33.10
Oil/Paint	119.85	-	120.00	124.47	-	124.50	128.82	133.33	138.00
Paper/Cardboard	25.47	-50.00	-24.00	26.65	-40.00	-13.00	27.58	28.55	29.55
Scrap Metal	48.40	-53.21	-4.00	50.63	-43.54	7.50	52.40	54.24	56.14
Textiles	18.68	-220.00	-181.00	19.54	-200.00	-180.00	20.23	20.93	21.67
Tyres	269.70		269.50	280.29		280.50	290.10	300.25	310.76
Wood	45.85	72.50	111.50	47.97	75.00	123.00	49.65	51.38	53.18
Rate per percentage point of contamination									
Co-mingled contamination	1.43	-	1.46	1.50	-	1.47	1.55	1.60	1.66

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 2019 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

17. 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.
18. 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.
19. 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 boroughs to make their own assumptions with regard to tonnage and contamination. The summary costs per borough are as follows:

	2018/19 November Optimistic £000	2018/19 November Pessimistic £000	2018/19 Budget £000
Hammersmith & Fulham	9,355	9,355	9,320
Kensington and Chelsea	9,660	9,660	9,649
Lambeth	14,369	14,369	14,408
Wandsworth	12,630	12,630	12,685
	46,014	46,014	46,062

20. Estimates are based upon the following annual tonnage levels and average contamination rates experienced in 2017/18 with no allowance for increases:

	Tonnes	General Waste	Co-mingled Recyclate	Contamination (average to date in 17/18)	Other	Total
Hammersmith & Fulham	58,842	11,279	1,595	1,065	72,781	
Kensington and Chelsea	59,884	15,960	2,027	996	78,867	
Lambeth	89,819	20,142	3,307	2,164	115,433	
Wandsworth	77,371	19,964	2,958	3,187	103,480	

21. 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	93
Kensington and Chelsea	96
Lambeth	144
Wandsworth	127

22. Constituent councils are also asked to note that Appendix A 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 £27.00 per tonne which is calculated at the end of Appendix A for information.

THE LEVY

23. Appendix B 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 £267,000 for consultancy, financial and legal advice in relation to discussions with Battersea Power Station and Cory regarding the potential Cringle redevelopment. It is also expected that the cost of the additional Education Officers which were made permanent in Paper No. WRWA 827 will be able to be funded from within existing Levy budgets, without the need for a call upon the Recycling Reserve.

24. As outlined above, a general principle when setting the budget is to reduce outstanding debt. This allows the annual Interest due on PWLB loans to be reduced as loans are repaid from cash balances. As outlined in the Treasury Management paper elsewhere on this agenda (Paper No. WRWA 849), it is also proposed to charge the repayment to revenue in order to reduce the Minimum Revenue Provision (MRP) charge each year. That paper also proposes the application of the overpaid MRP in 2018/19 which is reflected in the 2018/19 budget.

25. The Levy requirement due in April 2018 for 2018/19 has therefore reduced from 2017/18 levels to £5.963m. The charges to constituent councils compared to the original 2017/18 Levy requirement are outlined in the table below. The estimates use provisional 2018/19 council tax-bases. Councils are required to notify their

approved tax bases for 2018/19 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 2018/19 have been confirmed.

	2017/18	2018/19
	£'000	£'000
Hammersmith & Fulham	1,258	1,125
Kensington and Chelsea	1,586	1,392
Lambeth	1,714	1,557
Wandsworth	2,125	1,889
TOTAL	6,683	5,963

26. 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. The proposed debt redemption policy assists in maintaining this objective.

27. 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.

28. 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

29. In addition to the risk of one off expenditure on the Levy requirement, there are a number of other uncertainties that could affect the 2018/19 budget. These are detailed in Appendix F. It is proposed to set the General Fund Balance at a level of £4.0 million in 2018/19. This will need to be reviewed in light of the progression of the Cringle Dock development.

COMMODITY INCOME

30. Under its agreement with Cory the Authority receives, above a threshold, a share of the commodity value of the co-mingled recyclables. This is passed on in full to the

constituent councils but, due to depressed commodity markets no such income was received between November 2014 and August 2016. From September 2016 to March 2017 £186,000 was received. Between April and September 2017 a further £279,000 was received but there has been no income since, primarily due to a fall in paper prices in reaction to the news that China was imposing import restrictions from January 2018. Constituent councils are advised to make their own assumptions regarding income levels for 2018/19 onwards.

SUMMARY OF COSTS TO CONSTITUENT COUNCILS

31. Boroughs are forecast to incur the following costs in 2018/19 based on the recommended Levy and 2017/18 tonnage levels at the proposed AWDC charges:

	AWDC Charges £'000	Annual Levy £'000	Total £'000
Hammersmith & Fulham	9,320	1,125	10,446
Kensington and Chelsea	9,649	1,392	11,041
Lambeth	14,408	1,557	15,965
Wandsworth	12,685	1,889	14,573
Total	46,062	5,963	52,025

The comparative figures for 2017/18 based on the original budget as reported in February 2017 (plus contamination) are shown below:

	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

AUTHORITY BUDGETS

32. The original and revised overall Authority budget for 2017/18, the proposed budget for 2018/19 and predicted budget for 2019/20 are shown in the Appendices with the budget methodology at Appendix C. The estimated gross cost for the Authority

for 2018/19 compared to the amount as at Levy setting in 2017 for 2017/18 is shown below:

	<u>£'000s</u>
Gross Expenditure 2018/19	52,946
Gross Expenditure 2017/18	<u>55,067</u>
Reduction	<u>-2,121</u>
Percentage decrease	-3.9%

The total budgeted and predicted costs to individual constituent councils are shown for the period from 2017/18 to 2019/20 in Appendix E.

RECOMMENDATIONS

33. The Authority is recommended to:

- (a) approve a revised gross expenditure budget for the Authority of £50.2 million for 2017/18 (£44.6m directly determined by direct tonnage delivered and £5.5 million paid for by the Levy) and £52.9 million for 2018/19 (£46.6 million directly determined by direct tonnage delivered and £6.3 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 2018/19 as detailed on page 5;
- (c) approve the basis of cost recovery as set out in the report, including the residual Levy figure of £5.963 million for 2018/19 for the Treasurer to apportion and issue the levy among the constituent councils.

CHRIS BUSS
Treasurer

Western Riverside Administration Office
Smugglers Way
Wandsworth
SW18 1JS

29th January 2018

APPENDIX A

Budgeted AWDC Costs and Income

ITEM	2017/18	2017/18	2018/19 as	2018/19 as	2018/19	2019/20
	Budget	Revised	Predicted Dec	Predicted Dec	Budget	Predicted
	£000	£000	£000	£000	£000	£000
			Optimistic	Pessimistic		
<u>Direct Tonnage costs (AWDC)</u>						
<u>Operating Expenditure</u>						
General Waste	45,472	42,368	44,330	44,710	44,246	45,794
Co-mingled Recyclate	1,717	1,722	1,776	1,778	1,788	1,851
Other	833	554	558	561	586	606
	48,021	44,645	46,664	47,050	46,620	48,252
<u>Direct Tonnage Income (AWDC)</u>						
General Waste						
Hammersmith & Fulham	-8,939	-8,609	-8,713	-8,713	-8,679	-8,983
Kensington & Chelsea	-8,825	-8,761	-8,841	-8,841	-8,833	-9,142
Lambeth	-13,741	-13,141	-13,222	-13,222	-13,248	-13,712
Wandsworth	-11,623	-11,319	-11,408	-11,408	-11,412	-11,812
Co-mingled Recyclate						
Hammersmith & Fulham	-302	-293	-301	-301	-305	-315
Kensington & Chelsea	-424	-415	-430	-430	-431	-446
Lambeth	-477	-524	-537	-537	-544	-563
Wandsworth	-531	-519	-534	-534	-539	-558
Contamination*						
Hammersmith & Fulham	-227	-233	-227	-227	-239	-248
Kensington & Chelsea	-277	-297	-308	-308	-304	-315
Lambeth	-355	-484	-504	-504	-496	-513
Wandsworth	-438	-433	-429	-429	-444	-459
Other						
Hammersmith & Fulham	-104	-92	-113	-114	-97	-101
Kensington & Chelsea	-70	-77	-81	-82	-81	-84
Lambeth	-64	-104	-107	-107	-119	-124
Wandsworth	-278	-274	-259	-261	-290	-300
	-46,677	-45,574	-46,014	-46,018	-46,062	-47,674
AWDC (surplus)/ deficit	1,345	-930	650	1,032	558	578
TOTAL PER BOROUGH						
Hammersmith & Fulham -	9,572 -	9,227 -	9,355 -	9,355 -	9,320 -	9,647
Kensington & Chelsea -	9,597 -	9,549 -	9,660 -	9,660 -	9,649 -	9,986
Lambeth -	14,637 -	14,253 -	14,369 -	14,370 -	14,408 -	14,912
Wandsworth -	12,871 -	12,545 -	12,630 -	12,632 -	12,685 -	13,129
	- 46,677 -	45,574 -	46,014 -	46,018 -	46,062 -	47,674

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 £27.00 per tonne (2018/19 rates) which is analysed as follows for 2018/19:

	£'000
Hammersmith & Fulham	41
Kensington and Chelsea	53
Lambeth	86
Wandsworth	77

APPENDIX B

LEVY CHARGE

<u>LEVY cost</u>	2017/18 Budget £000	2017/18 Revised £000	2018/19 as Predicted Dec £000 Optimistic	2018/19 as Predicted Dec £000 Pessimistic	2018/19 Budget £000	2019/20 Predicted £000
Employees	554	556	574	574	574	586
LPFA Levy	239	50	51	54	52	53
Business Rates	550	577	591	594	599	620
Administration & General -Legal/ Consultancy costs	360	360	360	500	267	267
Administration & General - Other direct costs	263	268	265	315	268	273
WBC Financial support	71	71	65	65	72	73
WBC Admin support	44	44	38	38	44	45
CA site Tonnage	3,613	3,192	3,313	3,410	3,318	3,434
Capital charged to Revenue	200	-	-	-	400	100
Capital Financing	1,152	423	1,060	1,060	732	867
Total Cost	7,046	5,540	6,317	6,610	6,326	6,318
Miscellaneous Income	-363	-363	-363	-150	-363	0
Grant income		-15	0	0		
Levy Income	-6,683	-6,683	-5,954	-6,460	-5,963	-6,318
Total Income	-7,046	-7,061	-6,317	-6,610	-6,326	-6,318
Levy (surplus)/ deficit	0	-1,521	0	0	0	0

Levy per Borough	2017 /18 Budget £000	2018/19 as Predicted Nov £000	2018/19 Budget £000
Hammersmith & Fulham	-1,258	-1,216	-1,125
Kensington and Chelsea	-1,586	-1,533	-1,392
Lambeth	-1,714	-1,657	-1,557
Wandsworth	-2,125	-2,054	-1,889
Total	-6,683	-6,460	-5,963

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 2018/19.

General waste charges. General Waste tonnages delivered by constituent councils in 2017/18 have reduced slightly in the current financial year compared to the previous year. Tonnages received at the Civic Amenity site have reduced by around 2% compared to the previous year. Electricity is currently a charge to the Authority at an estimated £9.13 per tonne in 2017/18.

Recycling and minor waste streams. Recycling tonnages are forecast to be slightly higher than budgeted levels in 2018/19 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 2017/18 is 47.9p 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.

Administration & General. Administration costs include the revised budgeted programme for the Recycle Western Riverside 2018/19 programme and project costs of £150,000 (as outlined in Paper WRWA 850). The Administration & General costs include a provision of £267,000 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 £400,000 has been included in the 2018/19 budget although it is expected that this will be recovered from the developer.

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 2018/19. No allowance for this level of income has been made in 2019/20 onwards.

TOTAL BUDGETED/PREDICTED COSTS TO CONSTITUENT COUNCILS

BUDGET PERIOD & CONSTITUENT BOROUGH	AWDC CHARGES £000s	LEVY £000s	TOTAL £000s
2017/18 Original 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
2017/18 Revised Budget			
Hammersmith & Fulham	9,227	1,258	10,485
Kensington and Chelsea	9,549	1,586	11,135
Lambeth	14,253	1,714	15,967
Wandsworth	12,545	2,125	14,670
Total	45,574	6,683	52,257
2018/19 Budget			
Hammersmith & Fulham	9,320	1,125	10,446
Kensington and Chelsea	9,649	1,392	11,041
Lambeth	14,408	1,557	15,965
Wandsworth	12,685	1,889	14,573
Total	46,062	5,963	52,025
2019/20 Predicted			
Hammersmith & Fulham	9,647	1,192	10,839
Kensington and Chelsea	9,986	1,475	11,462
Lambeth	14,912	1,650	16,562
Wandsworth	13,129	2,001	15,130
Total	47,674	6,318	53,992

GENERAL RESERVE REQUIREMENT 2018/19

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 2018/19 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 in relation to the risks above is considered prudent, representing around 75% of the potential risks identified. In addition, £1.5 million is set aside against the maximum risk the Authority could be liable for in relation to planning costs for the redevelopment of Cringle Dock. The total of £4.0 million for 2018/19 represents approximately 7% of gross expenditure.