

**PAPER NO. WRWA 855****WESTERN RIVERSIDE WASTE AUTHORITY**

<b>MEETING</b>	17th July 2018
<b>REPORT AUTHOR/ DATE</b>	Treasurer (Chris Buss-Tel 0208 875 2788) 9th July 2018
<b>SUBJECT</b>	Report of the Treasurer on the Authority's Outturn position for 2017/18.
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<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 2017/18 is presented for information to this Authority meeting. Following changes arising from The Accounts and Audit (England) Regulations 2015, the date by which principal local authorities must publish their accounts along with the auditor's opinion moves forward by two months to 31 July 2018. The Authority is therefore also being asked to approve the audited Statement of Accounts alongside this outturn report,

## **ACCOUNTS 2017/18**

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 £3.2 million. The surplus compares to a budgeted surplus of £930,000 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 £1.7 million in 2017/18 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 £1.5 million compared to the revised budget set in January 2018 and generated a surplus of £3.0 million during the year. In the main this was due to a reduced volume of tonnage delivered to the CA site than budgeted (-£957,000). The Authority has also recovered all legal and consultancy costs relating to the Cringle Dock redevelopment proposals from BPS (-£197,000). Net budgets were set up within WRWA accounts in case discussions were unsuccessful and WRWA had to incur the costs. In addition, the Authority has received interest from the boroughs for late payment of invoices (£62,000) which was unbudgeted.
4. As outlined in the outturn paper one year ago (Paper No. WRWA 831), approval was given to authorise the Treasurer to repay some or all of the outstanding debt when it became due during the year. The £2 million of PWLB loans which have become due for repayment in 2017/18 have been repaid using the in year surpluses, reducing the net surplus to the General Fund to £4.2 million. This action will enable costs within the Levy to be reduced in future years as provision is no longer required to be charged annually for the repayment of this debt.
5. As the responsible financial officer, the Treasurer was required to sign and date the statement accounts for 2017/18 by 31st May 2018, one month earlier than in previous years. The auditing standards placed on the external auditor, KPMG, require that the Auditor makes a report to the Authority by 31st July 2018 (two months earlier than previously), following the Audit of the accounts, as a prelude to issuing a formal Opinion on the Authority's accounts.

6. Alongside this report, the Authority has the following to consider:-
  - 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 2018/19 and future years**

7. When setting the rates in January 2018 for 2018/19 (Paper No. WRWA 848) the General Waste rate was set at £147.50, a subsidy of £2.50 per tonne, totalling £0.7 million subsidy from the Rates Stabilisation Reserve. However, despite a rise in electricity prices at the end of 2017/18, electricity prices continue to be low generally. Current forecasts suggest that the borough General Waste rate is being subsidised by around £1.36 per tonne representing the use of £0.4 million from the Reserve. It is unlikely that the RRRL Triad income will be realised in 2018/19 due to the reduction in payment announced by Ofgem.
8. 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 addition, as outlined above and in the 2018/19 budget report, I outlined the general principle that as far as practicable, the Authority reduces its debt. There is also some current uncertainty around the redevelopment proposals at Cringle Dock. In view of both the current subsidisation of the General waste rate and these risks, I am therefore recommending that the surplus of £4.2 million be retained within the General Fund Reserve at this time. A decision will be made when setting the 2019/20 rates regarding what further action to take with this balance. This could include a one off rebate to constituent councils.

### RESERVES POLICY

9. The Authority has a number of reserves set aside for either specific or general purposes. With effect from 1<sup>st</sup> April 2017, two reserves were merged into the Stabilisation Reserve which now has a balance of £6.829 million as at 31<sup>st</sup> March 2018. This enables the Authority to have greater flexibility in how it meets future spending pressures.
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. At the end of 2015/16, the Authority established a Recycling Initiatives Reserve with a balance of £250,000. Whilst Recycling initiatives during the year have been able to be funded from within existing approved budgets, if this was not possible, there would have been a draw 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 2019.

## **RECOMMENDATIONS**

12. The Authority is recommended to
- a) note the outturn position for 2017/18 (Table 1)
  - b) note the continued principle of the redemption of debt as far as practicable

Western Riverside Transfer Station  
Wandsworth  
LONDON SW18 1JS

CHRIS BUSS  
Treasurer

9th July 2018

Summary of Revenue Outturn 2017/18

ITEM	Revised Budget £000	Outturn £000	Variance £000
<u>Direct Tonnage costs (AWDC)</u>			
<u>Operating Expenditure</u>			
General Waste	42,368	39,773	-2,596
Co-mingled Recyclate	1,722	1,714	-9
Other	554	555	1
	<hr/> 44,645	<hr/> 42,041	<hr/> -2,604
<u>Direct Tonnage Income (AWDC)</u>			
TOTAL PER BOROUGH			
Hammersmith & Fulham	-9,227	-9,131	96
Kensington & Chelsea	-9,549	-9,470	79
Lambeth	-14,253	-14,126	127
Wandsworth	-12,545	-12,463	82
	<hr/> -45,574	<hr/> -45,190	<hr/> 384
AWDC (surplus)/ deficit	-930	-3,149	-2,219
<u>LEVY cost</u>			
Employees	556	567	11
LPFA Levy	50	64	14
Business Rates	577	577	0
Administration & General -Legal/ Consultancy costs	360	163	-197
Administration & General - Other direct costs	268	90	-28
Recycle Western Riverside		128	-22
WBC Financial support	71	52	-19
WBC Admin support	44	32	-12
CA site Tonnage and running costs	3,192	2,235	-957
Capital charged to Revenue		0	0
Capital Financing	423	304	-119
Total Cost	<hr/> 5,540	<hr/> 4,211	<hr/> -1,329
Westminster Council use of CA site	-155	-158	-3
Miscellaneous Income	-208	-407	-199
Grant Income	-15	-25	-10
Levy Income	-6,683	-6,683	0
Total Income	<hr/> -7,061	<hr/> -7,273	<hr/> -209
Levy (surplus)/ deficit	-1,521	-3,062	-1,538

## Notes of Main Variances

### Direct Tonnage Costs (-£2.6 million)

RRRL achieved their Triad targets which generated a surplus of £1.7 million which was not incorporated within the budget assumptions in February 2018 due to its uncertainty. The remainder of the underspend was due to lower tonnage levels than predicted at budget setting time (approximately 0.5%) and higher wholesale electricity prices.

### Civic Amenity Site (-£957,000)

A reduced level of tonnage was delivered to the CA site compared to expected levels when setting the budget in January 2018 (General waste tonnage levels reduced by 8.8% compared to 2016/17)

### Administration and General – Legal/ Consultancy costs (-£197,000)

The Authority has incurred lower expenditure on legal and consultancy costs relating to the Cringle Dock redevelopment proposals where a contingency level was incorporated into the budget in case costs were not able to be recharged to respective third parties (-£197,000).

### Miscellaneous Income (-£199,000)

Under the payment terms, any borough with unpaid invoices after the payment due date are charged interest from the date that the invoice is raised. This has amounted to £62,000 in 2017/18 which was unbudgeted. The Authority also did not reflect the full annual income from the rent at Feather's Wharf when setting the budget which has contributed to the surplus.

Table 2

Outturn Tonnage for 2017/2018**Hammersmith & Fulham**

	2014/2015	2015/2016	2016/2017	2017/2018
Batteries	1	2	1	1
Clinical Waste	39	34	30	27
Co-Mingled	11,811	11,463	11,520	11,305
Detritus Waste	576	951	813	733
Electricals	26	45	44	15
Fridges	80	93	101	94
Gas Bottles	1	1	1	2
General Waste	61,279	61,562	60,602	58,478
Glass Mixed	-	-	-	-
Green Waste	97	75	114	115
Inert Waste	-	-	-	-
Oil & Paint	-	-	-	-
Paper & Cardboard	-	-	-	-
Scrap Metals	5	8	11	13
Textiles & Carpets	-	-	-	-
Tyres	0	1	0	0
Wood	-	-	-	-
<b>Total</b>	<b>73,915</b>	<b>74,234</b>	<b>73,236</b>	<b>70,785</b>

Contaminated Co-Mingled	1,871	1,652	1,616	1,593
Contamination Percentage	15.84%	14.41%	14.02%	14.09%

**Wandsworth**

	2014/2015	2015/2016	2016/2017	2017/2018
Batteries	-	-	0	-
Clinical Waste	53	58	60	65
Co-Mingled	19,583	19,699	20,180	19,900
Detritus Waste	2,683	2,609	2,482	2,539
Electricals	1	3	3	10
Fridges	110	128	123	100
Gas Bottles	1	3	1	2
General Waste	77,825	79,542	79,034	77,251
Glass Mixed	-	-	-	-
Green Waste	506	483	552	503
Inert Waste	1	12	4	23
Oil & Paint	-	-	-	0
Paper & Cardboard	-	-	-	-
Scrap Metals	-	-	0	2
Textiles & Carpets	-	-	-	-
Tyres	2	1	2	1
Wood	-	-	-	-
<b>Total</b>	<b>100,766</b>	<b>102,539</b>	<b>102,442</b>	<b>100,395</b>

Contaminated Co-Mingled	2,788	2,816	2,973	2,946
Contamination Percentage	14.24%	14.29%	14.73%	14.80%

**Kensington and Chelsea**

	2014/2015	2015/2016	2016/2017	2017/2018
Batteries	-	-	-	-
Clinical Waste	2	4	3	2
Co-Mingled	16,997	16,711	16,307	15,889
Detritus Waste	624	650	536	499
Electricals	10	37	49	27
Fridges	51	60	64	61
Gas Bottles	1	1	0	1
General Waste	60,789	61,110	60,292	59,730
Glass Mixed	-	-	-	-
Green Waste	634	494	359	387
Inert Waste	-	-	2	-
Oil & Paint	-	-	-	-
Paper & Cardboard	-	-	-	-
Scrap Metals	1	3	1	1
Textiles & Carpets	-	-	-	-
Tyres	0	-	0	0
Wood	-	-	-	1
<b>Total</b>	<b>79,110</b>	<b>79,068</b>	<b>77,613</b>	<b>76,597</b>

Contaminated Co-Mingled	2,510	2,357	1,934	1,943
Contamination Percentage	14.76%	14.10%	11.86%	12.23%

**WRWA**

	2014/2015	2015/2016	2016/2017	2017/2018
Batteries	23	28	25	22
Clinical Waste	-	-	-	-
Co-Mingled	442	379	339	437
Detritus Waste	-	-	-	-
Electricals	834	858	806	738
Fridges	66	59	86	65
Gas Bottles	-	-	-	19
General Waste	12,908	12,355	11,792	10,749
Glass Mixed	-	-	-	-
Green Waste	2,908	2,749	3,217	3,065
Inert Waste	790	830	1,061	1,212
Oil & Paint	10	9	17	15
Paper & Cardboard	590	713	806	827
Scrap Metals	487	573	697	687
Textiles & Carpets	178	204	209	205
Tyres	-	0	-	-
Wood	2,860	3,022	3,223	3,165
<b>Total</b>	<b>22,096</b>	<b>21,778</b>	<b>22,277</b>	<b>21,208</b>

Contaminated Co-Mingled	66	54	46	64
Contamination Percentage	15.02%	14.24%	13.64%	14.59%

**Lambeth**

	2014/2015	2015/2016	2016/2017	2017/2018
Batteries	-	-	-	-
Clinical Waste	2	2	2	1
Co-Mingled	18,759	18,379	18,388	19,902
Detritus Waste	593	678	587	610
Electricals	200	196	194	172
Fridges	193	207	212	182
Gas Bottles	4	4	2	4
General Waste	94,025	93,483	92,784	89,451
Glass Mixed	3	-	-	-
Green Waste	638	323	241	298
Inert Waste	2	13	10	-
Oil & Paint	-	-	-	-
Paper & Cardboard	281	255	321	484
Scrap Metals	114	128	150	115
Textiles & Carpets	-	-	-	-
Tyres	14	11	8	12
Wood	456	366	273	245
<b>Total</b>	<b>115,284</b>	<b>114,046</b>	<b>113,172</b>	<b>111,477</b>

Contaminated Co-Mingled	2,954	2,604	2,556	3,276
Contamination Percentage	15.75%	14.17%	13.90%	16.46%

**GRAND TOTAL**

	2014/2015	2015/2016	2016/2017	2017/2018
Batteries	23	30	25	23
Clinical Waste	96	98	95	96
Co-Mingled	67,593	66,630	66,733	67,433
Detritus Waste	4,476	4,888	4,418	4,380
Electricals	1,071	1,139	1,095	964
Fridges	500	548	587	503
Gas Bottles	6	9	5	27
General Waste	306,826	308,051	304,504	295,660
Glass Mixed	3	-	-	-
Green Waste	4,784	4,124	4,483	4,368
Inert Waste	794	855	1,076	1,235
Oil & Paint	10	9	17	15
Paper & Cardboard	871	968	1,127	1,311
Scrap Metals	608	711	859	818
Textiles & Carpets	178	204	209	205
Tyres	16	13	11	13
Wood	3,316	3,387	3,496	3,411
<b>Total</b>	<b>391,171</b>	<b>391,665</b>	<b>388,741</b>	<b>380,462</b>

Contaminated Co-Mingled	10,189	9,482	9,124	9,821
Contamination Percentage	15.07%	14.23%	13.67%	14.56%