

ITEM 3**PAPER NO. WRWA 875****WESTERN RIVERSIDE WASTE AUTHORITY**

MEETING	15th July 2019
REPORT AUTHOR/ DATE	Treasurer (Chris Buss-Tel 0208 875 2788) 5th July 2019
SUBJECT	Report of the Treasurer on the Authority's Outturn position for 2018/19.
CONTENTS	Page 1 Executive Summary and Background Page 3 Recommendations Page 4 Table 1 - Outturn position Page 6 Table 2 - Tonnage data for 2018/19
STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	No background papers were used in the production of this report

Please note that this page has been left blank intentionally.

EXECUTIVE SUMMARY AND BACKGROUND

1. The outturn position, showing the Authority's actual income and expenditure when compared to the budget for 2018/19 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 is now 31 July 2019. The Authority is therefore also being asked to approve the audited Statement of Accounts alongside this outturn report.

ACCOUNTS 2018/19

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 deficit of £764,000. The deficit is very similar to the planned subsidisation of AWDC rates of approximately £2.34 per tonne when the budget was revised in January 2019 (Paper No. WRWA 870), utilising £643,000 of the Stabilisation Reserve.
3. Members will remember that in previous years, the Authority has benefited from an 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 (worth £1.7 million in 2017/18). This income has not been incorporated into budgets and as outlined previously, the plant was not expected to (and didn't) produce any electricity since the turbine failure in October 2018. The benefit of any insurance arrangements entered into by Cory are still uncertain and therefore no allowance has been made for such income in these outturn figures. If successful, this will fall into the 2019/20 financial year.
4. General running costs and CA site expenditure funded by the Levy has underspent by £4.4 million compared to the revised budget set in January 2019 and generated a surplus of £5.7 million during the year. In the main this was due to the £3.5 million receipt from Cory in October 2018 regarding the refinancing of Cory (Paper No. WRWA 865). The Authority has also recovered a large proportion of the legal and consultancy costs relating to the Cringle Dock redevelopment proposals from BPS and Riverside Energy Park discussions (-£110,000). Net budgets were set up within WRWA accounts in case discussions were unsuccessful and WRWA had to incur the costs. The budget also continued to include a provision for the repayment of PWLB loans in the form of a Minimum Revenue Provision for which a new reserve has been created, removing the need for this accounting entry (-£299,000). In addition, the Authority has received interest from the boroughs for late payment of invoices (£153,000) which was unbudgeted. There were underspends within the Recycle Western Riverside programme of £30,000 and the office refurbishment (£56,000) for which it is requested budget be carried over into 2019/20.
5. As the responsible financial officer, the Treasurer was required to sign and date the statement of accounts for 2018/19 by 31st May 2019. This was done on May 29th. The Accounts and Audit (England) Regulations 2015, require the Authority to approve the accounts by 31st July 2019, following the Audit of the accounts by the external auditor, as a prelude to them issuing a formal Opinion on the Authority's accounts. The auditor

has questioned the accounting treatment of the receipt of £3.5 million referred to in paragraph 4. This is subject to detailed discussions over the interpretation of accounting standards which newly relate to the authority. If the accounting treatment changes then this will reflect in the final outturn reported in the final accounts and potentially in the level and designation of reserves.

6. Alongside this report, the Authority has, subject to resolving outstanding issues above, 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, Deloitte; and
 - the Auditor's formal Opinion.

OUTLOOK FOR 2019/20 and future years

7. When setting the rates in January 2019 for 2019/20 (Paper No. WRWA 870) the General Waste rate was set at £150.50 based upon the latest projections for electricity at that time. However, as RRRL have only just begun to generate electricity again since the turbine replacement, RRRL have been charging the authority so far in 2019/20 using the electricity floor value. This is around £10 per MWh or £6.36 per tonne different to the assumptions within the budget. There is therefore no current suggestion that the budget provision is insufficient. There continues to be no assumption for RRRL Triad income in 2019/20, both as a result of the reduction in payment announced by Ofgem and the uncertainty around the turbine.
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 and the risk around the Riverside Energy Project. I am therefore recommending, as set out and previously agreed in the budget report in January, that the surplus of £4.9 million be transferred to the General Fund Reserve and £8.5 million of the resulting General Fund Reserve be transferred into the Loan Repayment Reserve to provide for the repayment in full of the PWLB loans at the point they become due. The remaining General Fund balance will be £4.6 million.

RESERVES POLICY

9. The Authority has a number of reserves set aside for either specific or general purposes and their purpose and balance as at 31st March 2019 is as follows:
 - General Fund Reserve -£4,621,000 after setting up the loan repayment reserve

- Stabilisation Reserve - £6,829,000; This reserve can be drawn upon to ensure the stabilisation of charges for the boroughs, enabling greater flexibility in how to meet future spending pressures
 - Recycling Initiatives Reserve - £250,000; Whilst recycling initiatives to date have been able to be funded from within existing approved budgets, if this were not possible, there would be 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 2020
 - Pension Liability Reserve - £1,800,000; The Actuary for the Pension fund (administered by the LPFA) has reported on the triennial valuation that as at 31st 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.
10. As mentioned above, there are a number of uncertainties which could be a call on the General Fund Reserve. There are continued discussions around Cringle Dock and Riverside Energy Park with Cory and there is uncertainty around Government funding for the implementation of the Resources and Waste Strategy currently out for consultation (see paper elsewhere on this agenda). Therefore a decision will be made when setting the 2020/21 rates regarding what further action to take with this balance. This could include a one off rebate to constituent councils.

RECOMMENDATIONS

11. The Authority is recommended to:
- a) note the outturn position for 2018/19 (Table 1) ;
 - b) approve the carry over of budget for Recycle Western Riverside and the Office Refurbishment of £30,000 and £56,000 respectively; and
 - c) note the continued principle of the redemption of debt from reserves as far as practicable

The Town Hall
Wandsworth
LONDON SW18 2PU

CHRIS BUSS
Treasurer

5th July 2019

TABLE 1

Summary of Revenue Outturn 2018/19

ITEM	Revised Budget £000	Outturn £000	Variance £000
<u>Direct Tonnage costs (AWDC)</u>			
<u>Operating Expenditure</u>			
General Waste	43,698	43,780	82
Co-mingled Recyclate	1,777	1,787	10
Other	660	625	-35
	<u>46,135</u>	<u>46,191</u>	<u>57</u>
<u>Direct Tonnage Income (AWDC)</u>			
TOTAL PER BOROUGH			
Hammersmith & Fulham	-9,148	-9,127	21
Kensington & Chelsea	-9,613	-9,546	67
Lambeth	-14,199	-14,300	-101
Wandsworth	-12,531	-12,454	77
	<u>-45,492</u>	<u>-45,427</u>	<u>65</u>
AWDC (surplus)/ deficit	643	764	121
<u>LEVY cost</u>			
Employees	616	563	-54
LPFA Levy	51	51	0
Business Rates	567	567	0
Administration & General -Legal/ Consultancy costs	267	406	139
Administration & General - Other direct costs	73	93	20
Recycle Western Riverside	200	170	-30
WBC Financial support	72	55	-17
WBC Admin support	44	37	-7
CA site Tonnage and running costs	2,508	2,292	-216
Additional Costs/ Office refurbishment	60	4	-56
Capital Financing	641	342	-299
Total Cost	<u>5,099</u>	<u>4,579</u>	<u>-520</u>
Westminster Council use of CA site	-155	-164	-9
Miscellaneous Income	-208	-376	-168
Cory Refinancing		-3,500	-3,500
Recharge to Cory	0	-249	-249
Levy Income	-5,963	-5,963	0
Total Income	<u>-6,326</u>	<u>-10,252</u>	<u>-3,917</u>
Levy (surplus)/ deficit	-1,227	-5,673	-4,437

Notes of Main Variances

Administration and General – Legal/ Consultancy costs (-£139,000) and Recharge to Cory (-£249,000)

The Authority has incurred legal and consultancy costs relating to the Cringle Dock redevelopment and Riverside Energy Park proposals of £139,000 above the contingency level incorporated into the budget. However, £249,000 of these costs in total have been recharged to respective third parties generating a net underspend against the provision of -£110,000).

Recycle Western Riverside (-£30,000)

The RWR programme included provision for each borough to incur expenditure whilst promoting Resource London's 'One Bin is Rubbish' campaign. Hammersmith and Fulham were not satisfied with the design of the campaign which led to the underspend which it is requested be carried over into 2019/20.

Office Refurbishment Costs (-£56,000)

A budget was approved for the refurbishment of the WRWA offices which will continue into 2019/20 and therefore the budget is requested to carry over into the new year.

Miscellaneous Income (-£168,000)

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 £153,100 in 2018/19 which was unbudgeted.

Cory Refinancing (-£3.5 million)

£3.5 million income was received from Cory in October 2018 regarding the refinancing of Cory (Paper No. WRWA 865).

Table 2

Outturn Tonnage for 2018/2019

Hammersmith & Fulham					Kensington and Chelsea					Lambeth				
	2015/2016	2016/2017	2017/2018	2018/2019		2015/2016	2016/2017	2017/2018	2018/2019		2015/2016	2016/2017	2017/2018	2018/2019
Batteries	2	1	1	1	Batteries	-	-	-	-	Batteries	-	-	-	-
Clinical Waste	34	30	27	23	Clinical Waste	4	3	2	2	Clinical Waste	2	2	1	3
Co-Mingled	11,463	11,520	11,305	11,146	Co-Mingled	16,711	16,307	15,889	16,087	Co-Mingled	18,379	18,388	19,902	19,858
Detritus Waste	951	813	733	611	Detritus Waste	650	536	499	623	Detritus Waste	678	587	610	760
Electricals	45	44	15	9	Electricals	37	49	27	33	Electricals	196	194	172	122
Fridges	93	101	94	91	Fridges	60	64	61	64	Fridges	207	212	182	179
Gas Bottles	1	1	2	1	Gas Bottles	1	0	1	1	Gas Bottles	4	2	4	3
General Waste	61,562	60,602	58,478	57,772	General Waste	61,110	60,292	59,730	59,581	General Waste	93,483	92,784	89,451	89,226
Carpet	-	-	-	-	Carpet	-	-	-	-	Carpet	-	-	-	-
Green Waste	75	114	115	121	Green Waste	494	359	387	429	Green Waste	323	241	298	546
Inert Waste	-	-	-	-	Inert Waste	-	2	-	-	Inert Waste	13	10	-	1
Paint & Oil	-	-	-	0	Paint & Oil	-	-	-	-	Paint & Oil	-	-	-	-
Paper & Cardboard	-	-	-	-	Paper & Cardboard	-	-	-	-	Paper & Cardboard	255	321	484	439
Scrap Metals	8	11	13	4	Scrap Metals	3	1	1	1	Scrap Metals	128	150	115	112
Textiles	-	-	-	-	Textiles	-	-	-	-	Textiles	-	-	-	-
Tyres	1	0	0	0	Tyres	-	0	0	-	Tyres	11	8	12	12
Wood	-	-	-	-	Wood	-	-	1	1	Wood	366	273	245	251
Total	74,234	73,236	70,785	69,779	Total	79,068	77,613	76,597	76,822	Total	114,046	113,172	111,477	111,510
Contaminated Co-Mingled	1,652	1,616	1,593	1,693	Contaminated Co-Mingled	2,357	1,934	1,943	1,875	Contaminated Co-Mingled	2,604	2,556	3,276	3,257
Contamination Percentage	14.41%	14.02%	14.09%	15.19%	Contamination Percentage	14.10%	11.86%	12.23%	11.66%	Contamination Percentage	14.17%	13.90%	16.46%	16.40%
Wandsworth					WRWA					GRAND TOTAL				
	2015/2016	2016/2017	2017/2018	2018/2019		2015/2016	2016/2017	2017/2018	2018/2019		2015/2016	2016/2017	2017/2018	2018/2019
Batteries	-	0	-	-	Batteries	28	25	22	15	Batteries	30	25	23	15
Clinical Waste	58	60	65	64	Clinical Waste	-	-	-	-	Clinical Waste	98	95	96	92
Co-Mingled	19,699	20,180	19,900	20,173	Co-Mingled	379	339	437	601	Co-Mingled	66,630	66,733	67,433	67,864
Detritus Waste	2,609	2,482	2,539	2,992	Detritus Waste	-	-	-	-	Detritus Waste	4,888	4,418	4,380	4,986
Electricals	3	3	10	3	Electricals	858	806	738	751	Electricals	1,139	1,095	964	917
Fridges	128	123	100	96	Fridges	59	86	65	78	Fridges	548	587	503	507
Gas Bottles	3	1	2	1	Gas Bottles	-	-	19	15	Gas Bottles	9	5	27	21
General Waste	79,542	79,034	77,251	76,028	General Waste	12,355	11,792	10,749	9,713	General Waste	308,051	304,504	295,660	292,321
Carpet	-	-	-	-	Carpet	-	-	-	269	Carpet	-	-	-	269
Green Waste	483	552	503	340	Green Waste	2,749	3,217	3,065	3,190	Green Waste	4,124	4,483	4,368	4,626
Inert Waste	12	4	23	0	Inert Waste	830	1,061	1,212	1,624	Inert Waste	855	1,076	1,235	1,625
Paint & Oil	-	-	0	-	Paint & Oil	9	17	15	17	Paint & Oil	9	17	15	17
Paper & Cardboard	-	-	-	-	Paper & Cardboard	713	806	827	793	Paper & Cardboard	968	1,127	1,311	1,232
Scrap Metals	-	0	2	0	Scrap Metals	573	697	687	721	Scrap Metals	711	859	818	837
Textiles	-	-	-	-	Textiles	204	209	205	234	Textiles	204	209	205	234
Tyres	1	2	1	1	Tyres	0	-	-	0	Tyres	13	11	13	13
Wood	-	-	-	-	Wood	3,022	3,223	3,165	3,474	Wood	3,387	3,496	3,411	3,726
Total	102,539	102,442	100,395	99,698	Total	21,778	22,277	21,208	21,494	Total	391,665	388,741	380,462	379,303
Contaminated Co-Mingled	2,816	2,973	2,946	2,852	Contaminated Co-Mingled	54	46	64	88	Contaminated Co-Mingled	9,482	9,124	9,821	9,764
Contamination Percentage	14.29%	14.73%	14.80%	14.14%	Contamination Percentage	14.24%	13.64%	14.59%	14.57%	Contamination Percentage	14.23%	13.67%	14.56%	14.39%