

West London Waste Authority
Hugh Peart
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13 January 2022

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West London Waste Authority

A meeting of the West London Waste Authority will be held in Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY on Friday 21 January 2022 at 11.00 am

Membership

Councillor Graham Henson, London Borough of Harrow (Chair)
Councillor Deirdre Costigan, London Borough of Ealing
Councillor Guy Lambert, London Borough of Hounslow
Councillor Eddie Lavery, London Borough of Hillingdon
Councillor Krupa Sheth, London Borough of Brent
Councillor Julia Neden Watts, London Borough of Richmond

Agenda

PART I - ITEMS FOR CONSIDERATION WHILE THE PRESS AND PUBLIC ARE IN ATTENDANCE

1. Apologies for absence
2. Declarations of interest

Members are reminded that if they have a pecuniary interest in any matter being discussed at the meeting they must declare the interest. They may not take part in any discussion or vote on a matter in which they have a pecuniary interest.

3. Minutes of the meeting held on 3 December 2021 (Pages 5 - 8)
4. 2022/23 Budget (Pages 9 - 40)
5. Contracts and Operations Update (Pages 41 - 44)
6. Projects Update (Pages 45 - 50)
7. Finance Update (Pages 51 - 58)

8. EXCLUSION OF THE PRESS AND PUBLIC

To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

<u>Agenda Item No</u>	<u>Title</u>	<u>Description of Exempt Information</u>
9.	Variation to the West London Residual Waste Services Contract	Information under paragraph 3 (contains information relating to the financial or business affairs of any particular person (including the authority holding that information)).

PART II - ITEMS FOR CONSIDERATION AFTER THE EXCLUSION OF THE PRESS AND PUBLIC

9. Variation to the West London Residual Waste Services Contract (Pages 59 - 62)

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Hugh Peart
Clerk to the Authority

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At a meeting of the West London Waste Authority held on Friday 3 December 2021 at 10.00 am at the Council Chamber, Harrow Civic Centre, Station Road, Harrow, HA1 2XY.

Present:

Councillor Graham Henson (Chair)

Councillor Deirdre Costigan, Councillor Guy Lambert, Councillor Eddie Lavery, Councillor Krupa Sheth and Councillor Julia Neden Watts

127. Apologies for absence

No apologies for absence had been received.

128. Declarations of interest

RESOLVED: To note that there were no declarations of interests made by Members.

129. Minutes of the meeting held on 24 September 2021

RESOLVED: That the minutes of the meeting held on 24 September 2021 be taken as read and signed as a correct record.

130. Health and Safety - Annual Review of performance in 2020 - 21 and the plans for 2021 - 2022

Members received a report which reviewed the Authority's Health and Safety arrangements for the year 2020-21, presented the Health and Safety Plan for 2021-22 and sought approval to the Health and Safety Policy.

RESOLVED: That

- (1) the Annual Health and Safety Performance Review 2020-2021 and Action Plan for 2021-2022, as set out at Appendix 1 to the report, be noted;
- (2) the adoption of the updated Health and Safety policy documents, as set out at Appendix 2 to the report, be agreed.

131. 2022 - 2023 Budget

Members received a report which outlined the draft 2022-23 budget for consultation with borough Finance and Environment Directors.

A Member questioned the increase in the Pay As You Throw (PAYT) SERC charges whilst there was a reduction in growth (paragraph 15.13) and it was acknowledged that there was an error in the table. This would be corrected for the final budget report to be submitted to the January Authority meeting. The Finance Director advised that there had been a reduction in PAYT charges due to lower forecast volumes. The Fixed Cost Levy had risen to £14.2m largely due to mattresses and haulage costs in relation to HRRC activity.

Ian O'Donnell, Treasurer, reported that the key consideration was the level of reserves. The level of reserves was backed by an analysis of risk and in his view was appropriate. The Authority had the lowest level of reserves when compared to other London Waste Authorities which reflected good budget management and the position that the organisation was in, that is, secure with a long-term contract. In terms of the overall position, there had been a relatively small increase in organisational costs compared to inflation.

In response to a question about PAYT figures, the Finance Director referred to paragraph 15.9 of the report and advised that overall tonnages were down and that the PAYT levies were also decreasing which reflected the boroughs lower volumes of collected waste. The increase in transport costs had led to an increase in the Fixed Cost Levy (FCL) charge. He added that he would include an explanatory paragraph in the next report and was happy to discuss this separately with the Member in more detail but reassured the Members that the methodology was the same as had been used in previous years.

A Member requested clarification in terms of Deposit Return Scheme (DRS) materials and whether they reduced residual waste or recycling. The Finance Director advised that the sensitivity analysis looked at the composition of residual waste coming through the system but in terms of the impact of the DRS, the financial modelling did not make any conclusions but simply reflected various scenarios. The Managing Director stated that reducing waste reduced carbon throughout the waste system and that it was always better to do more collections. The added benefit of removing food waste from residual waste was that recyclables might also be removed.

In conclusion, the Treasurer advised that there had been a formal budget process and range of challenge to provide Members with confidence that officers had tried to find savings to return to each constituent authority and that consideration had also been given as to how these could be passed back. He thanked the officers, in particular the Finance Director, for their work and noted that paragraph 15.13 of the report required revisiting.

RESOLVED: That

- (1) the 2022/23 budget for consultation with boroughs be noted;
- (2) the payment of £0.2 million per borough for agreed improvements, principally HRRC diversion rates, be noted;
- (3) the Pay As You Throw (PAYT) rates, as set out in section 15 of the report, and the PAYT levy made up of two components totalling of £50.4 million be noted;
- (5) the Fixed Cost Levy (FCL) of £14.2 million, as set out in section 16 of the report, be noted;
- (6) the recommended trade and construction prices, as set out in section 17 of the report, and delegated authority to the Treasurer to change these in year should the need arise be noted;
- (7) the new proposed capital budgets, as set out in section 18 of the report, be noted;
- (8) the target level of reserves of £9.2 million to act as a buffer for managing risks and avoiding supplementary levies, as set out in section 19 of the report, be noted;

- (9) the Medium and Long Term Financial Plan, as set out in section 20 of the report, be noted.

132. Circular Economy and Net Zero Carbon Update

Members received a report which provided an update on the partnership activities to progress circular economy, net-zero carbon and climate emergency projects.

Peter Tilston, Projects Director, introduced the report and outlined the partnership work being done with the six constituent boroughs and wider sub-regional groups to build a response to the climate emergency and net-zero carbon targets. Work was also underway to create a circular economy. The stakeholders included borough Regeneration Teams as well as other services.

In response to a Member's questions in relation to planning for the sites, how they would operate and residents' access, how they would run in terms of finance and funding and the potential for making existing sites work, the Projects Director advised that it was a work in progress with engagement across the sector. Work was underway at Abbey Road and he added that the aim was to create self-sustaining businesses and that each partner would have a different business case. He reassured Members that officers were working to identify what businesses were already doing, for example, recycling of phones.

Emma Beal, Managing Director advised that, in terms of the Circular Economy Hubs, it was for the Authority to facilitate the work that was already being undertaken by organisations and to establish a communications link between these organisations. A Member commented that whilst there were many initiatives, residents were not aware of them. There needed to be a cohesive message.

A Member requested that the term 'green infrastructure' be changed to 'sustainable infrastructure'. Victoria Lawson, Chief Technical Officer, advised that there was an aim to broaden beyond sustainability and that the terminology had been discussed with West London Leaders and that it would therefore be difficult to change.

In concluding the discussion, the Chair commented that the Authority was an enabler. The London Community Kitchen would be using food waste to provide Christmas Dinners and the Authority was also leading work to reduce consumption.

RESOLVED: That

- (1) the Circular Economy Strategy, as attached at Appendix A to the report, be adopted;
- (2) the information within the report and the attached Appendices B and C be noted.

133. Finance Update October 2021

Members received an update on financial and corporate matters.

RESOLVED: That

- (1) the current financial position and forecast for 2021/22 be noted;
- (2) the 2021/22 Key Performance Indicators be noted.

The meeting finished at 11.03 am.

The minute taker at this meeting was Alison Atherton.

2022/23 Budget

SUMMARY

This report sets out the 2022/23 budget proposal

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Approve the 2022/23 budget
- 2) Approve the payment of £0.2 million per borough for agreed improvements, principally HRRC diversion rates
- 3) Approve the Pay As You Throw (PAYT) rates in section 15 and the PAYT levy made up of two components totalling of £50.4 million
- 4) Approve the Fixed Cost Levy (FCL) of £14.2 million in section 16
- 5) Approve the recommended trade and construction prices in section 17 and delegated authority to the Treasurer to change these in year should the need arise
- 6) Approve the new proposed capital budgets in section 18
- 7) Approve the target level of reserves of £9.2 million to act as a buffer for managing risks and avoiding supplementary levies, in section 19
- 8) Note the Medium and Long Term Financial Plan in section 20

1. Introduction

1.1 The 2022-23 draft budget was considered at the Authority meeting in December and was shared/presented to meetings of the West London Environment Directors and West London Treasurers. Three borough finance teams also took up the offer to meet up and run through the budget and Authority plans. The borough Finance Directors were also asked to provide a formal response to the budget proposals.

1.2 The report which follows is almost the same as December's report but updated for:

- Minor changes to the numbers improving the bottom line and very minor changes to text e.g. typos
- Tidying of a column in a table in section 15 together with additional commentary about the tables
- Use of the latest 2021-22 forecast in the table in section 2
- Formal feedback from borough Finance Directors (section 21 and appendix 2)

1.3 There are no other changes

2. Executive Summary

2.1 In overall terms boroughs will see a reduction in total levies of more than £0.5 million. Furthermore each borough will also receive a payment of £0.2 million for principally HRRC improvements.

2.2 The main driver for this positive position is that a one off benefit of £2 million is expected next year from our PPP income sharing arrangements.

2.3 The 2022/23 budget proposes to pass on the £2 million benefit to boroughs through reduced levies and by contributing towards some of boroughs costs which are aligned to the Authority's strategic objectives.

2.4 The table below sets out the 2022/23 budget and the movement from the 2021/22 budget. The latest 2021/22 forecast is also included to provide context and illustrate the current level of activity.

	2021-22 budget £ 000's	2021-22 forecast £ 000's	2022-23 budget £ 000's	Changes in budgets £ 000's
Costs				
WTD - Waste Transport and Disposal	50,363	47,109	49,558	(805)
Funding of borough services	0	0	1,200	1,200
Depreciation	9,240	9,240	9,809	569
Financing Cost	5,230	5,230	5,105	(125)
Premises	2,620	2,722	2,672	52
Employees	2,252	2,305	2,648	396
MRF Service Costs	2,469	2,052	2,148	(321)
Supplies and Services	968	1,034	1,198	230
Revenue Funding of Debt	941	941	962	21
Concession Accounting Adjustments	(4,382)	(4,382)	(4,473)	(91)
Total costs	69,701	66,249	70,828	1,127

Income				
Levies	65,119	62,148	64,552	(567)
MRF service income	2,469	2,052	2,148	(321)
Other Income	2,113	2,522	2,128	15
PPP one off benefit	0	0	2,000	2,000
Total income	69,701	66,721	70,828	1,127

Total (surplus)/deficit	0	(472)	0	0
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2.5 The budget headings are per our usual format for regular budget monitoring reports. The most notable movements relate to the one off benefit. Note that the MRF activities have a neutral effect with costs being passed through to Ealing for the services provided.

2.6 Plans for the coming year and an explanation of budget items follows.

3. Focus for 2022/23

- 3.1 One area of focus is the pass on of the PPP one off benefit to boroughs, in a way that is aligned to the Authorities strategic objectives.
- 3.2 So, £200,000 will be paid next year to each borough for improvements in services, principally HRRC operations (an area of strategic focus for the Authority) to drive better diversion rates. The improvements will be agreed between borough Officer's and the Authority's Senior Management Team using diversion targets. This also provides a catalyst for boroughs to make continuous long-term savings. The agreed use of funds will be reported to the Authority.
- 3.3 The remainder of the one off benefit (i.e. £0.8 million) will directly offset waste disposal spending and therefore reduce the overall costs and consequently the levies which boroughs will have to pay. This is reflected in the overall 0.7% reduction in levies.
- 3.4 Elsewhere in the budget, the circular economy hub project is another area of particular focus for 2022/23 with interest from borough colleagues. A scalable and flexible solution using adapted shipping containers has previously been reported. This provides the opportunity to move containers from location to location and provide a range of options to meet the needs of any borough site.
- 3.5 The plan for the coming year includes continuing to work with borough colleagues and investing in container based solutions, procuring and refitting them as workshops, shops and community spaces. The aim is to have at least two circular economy hubs up and running by the end of 2022/23, progressing towards the medium term target of having one each constituent borough.

4. Waste Transport & Disposal (WTD)

- 4.1 The WTD budget accounts for the majority of the entire WLWA budget and makes up 71% of the overall spend. Strategically, this is where most of the significant saving opportunities can be found.
- 4.2 The 2022/23 WTD budget is £49.6 million, a reduction of £0.8 million.
- 4.3 The residual waste budget is the key driver and represents 85% of the WTD costs (or 61% of all Authority costs – hence the strategic significance). For 2022/23 this is based on boroughs' forecasts of residual waste which are 2.5% lower than the 2021/22 budget and reflects the current volumes disposed continuing throughout next year.
- 4.4 Looking at the complete picture, the 2022/23 budgeted tonnage is made up of the following materials:

Material	2021/22 Budget Tonnes	2022/23 Budget Tonnes	Change
Residual	444,814	433,711	(11,103)
Mixed organic	857	0	(857)
Green	54,127	53,610	(517)
Wood	15,256	17,694	2,438
Kitchen	39,747	39,300	(447)
Other	7,816	11,849	4,033
Budgeted tonnages	562,617	556,164	(6,453)

- 4.5 The only notable service change relates to Hillingdon moving from a mixed organics collection to separate kitchen and green collections which will result in cost savings that will flow through to Hillingdon through the PAYT levy. No other significant service changes were advised with borough forecasts reflecting current volumes of throughput.
- 4.6 To calculate the budgeted spend, RPIX of 3.0% a mid-range forecast has been applied to contractor prices where there is a contractual indexation requirement. Published forecasts including HM Treasury range from 1.9% to 5.2% and the Chancellors recently reported 4% expectation have been used to benchmark.
- 4.7 It is worth noting that within the main PPP contract this impact is partly mitigated by the pricing mechanism which dampens the overall effect of inflation – a very effective feature of the contract. This is highlighted in the sensitivity analysis in section 20. Where contracts are due for procurement, procuring managers have used best available market information to estimate rates for the coming year.

5. Depreciation

- 5.1 The budget for 2022/23 of £9.8 million is £0.6 million higher than in 2021/22. This principally reflects property asset valuations and indexation agreed with auditors for the latest audited accounts.
- 5.2 The largest element of depreciation relates to the SERC (Sevenside Energy Recovery Centre) and totals £8.4 million. It should be noted that for depreciation calculations, the SERC has to be separated out into its main components and each key component has to be depreciated over its own expected life.
- 5.3 Depreciation for the remaining assets have been calculated using the audited accounts and subsequent change in the asset registers (i.e. additions and disposals).

6. Financing

- 6.1 The financing costs reflect the interest paid on loans. These have reduced from £5.2 million in 2021/22 to £5.1 million for 2022/23 primarily as a result of the payment profile of repayment loans. With repayment loans a fixed sum is paid every year comprising of both interest and principal repayment. The interest element will continue to fall over coming years, conversely the principal repayment will rise.
- 6.2 The largest component of financing costs relates to borrowing from boroughs for the construction of the SERC and totals £4.6 million. The loans are at arm's length and from a borrowing perspective the boroughs are like any other lender with the loan agreements specifying the relationship with the Authority and including a rate of interest of 7.604%.
- 6.3 The interest on loans for the purchase of transfer station freeholds makes up the balance of £0.5 million and represents a PWLB loan at 2.24%.

7. Premises

- 7.1 The budget for 2022/23 of £2.6 million is almost the same as the budget in 2021/22.

7.2 The largest component of the premises costs are business rates which account for £2.3 million of this budget of which SERC rates make up £1.4 million and transfer stations £0.8 million.

8. Employees

8.1 The 2022/23 budget of £2.6 million is £0.4 million higher than the 2021/22 level. This growth relates to a range of employee costs including an increase in the establishment, wage inflation (2%), National Insurance (1.5%) and learning & development.

8.2 The 2022/23 establishment is planned to increase to 40.1 full time equivalent (FTE) posts a growth of 1.8 from the previous year. Putting this into context the Authority employed 42 FTE in 2014/15 and over the last few years FTE numbers have been just below 40. The size of the staffing establishment numbers remains small and stable whilst providing the resource to drive forwards business plan objectives and undertake the increasing volume, variety and complexity of work.

8.3 A breakdown of the establishment by area of activity is provided below:

Activity	2021/22	In year changes	Current	2022/23	Change from 2021/22
Contracts/Operations	18.6	1.0	19.6	20.0	1.4
Corporate Services	8.7	0.4	9.1	10.1	1.4
Projects	11.0	0.9	11.9	10.0	(1.0)
Total	38.3	2.3	40.6	40.1	1.8

9. Supplies & Services

9.1 The 2022/23 budget for Supplies & Services is £1.2 million and is £0.2 million more than the 2021/22 level.

9.2 A wide variety of spends make up this total, the most notable being sums set aside for a range of projects including circular economy hubs, waste minimisation activities, carbon survey and support. These form the largest part of the supplies and services budget with spending determined by the progress with the projects. Therefore, spending may not all materialise in 2022/23 and there is a potential for out-turn savings.

9.3 Other notable items include spending for external audit, insurances and borough services (e.g. committee services, treasury etc.).

9.4 Budgets for some minor costs have been stripped out.

10. Revenue Funding of Debt

10.1 The loan which financed the purchase of the transfer station sites is a typical repayment loan. It is made up of two components – an element for the interest on the loan (see Financing Costs) and an element repaying the loan principal.

10.2 The Revenue Funding of Debt is the element repaying the sites loan and totals £1.0 million for 2022/23. This is marginally higher (£20,000) than 2021/22 reflecting that within a

typical repayment loan, the amount of principal repaid increases over time and amount of interest falls.

- 10.3 It is worth providing the following brief recap of the revenue funding of debt which was detailed in Authority papers recommending the site purchase a number of years ago.
- 10.4 It is a requirement for public bodies to ultimately fund the cost of assets through levies and taxes. For the Authority this is achieved through a combination of the depreciation charge and revenue funding of debt.
- 10.5 Typically the acquisition of assets result in an annual depreciation charge. This annual expenditure is recovered through the levy mechanism and therefore the levies over the life of the asset fund its purchase.
- 10.6 However, the acquisition of the sites freehold is essentially a purchase of land. For land, accounting rules do not allow a depreciation charge. This means that in order to fund the purchase through levies a different (but comparable to depreciation) annual charge is made – the revenue funding of debt.

11. Concession Accounting Adjustments

- 11.1 Essentially under a PPP arrangement a contractor pays for the construction of an asset and then recovers its investment over a long period through its operational charges to the local authority (i.e. its price per tonne).
- 11.2 There are very specific and detailed accounting requirements that govern this type of arrangement. This is because the underlying nature of this transaction is that the local authority *essentially* owns the asset for a period of time and the contractor is *essentially* a lender financing the construction of the asset.
- 11.3 The key feature of the accounting is the calculation of a concession accounting adjustment to separate out the disposal and financing costs, followed by stripping out from expenditure a notional sum for the repayment of any underlying borrowing by the contractor.
- 11.4 The concession accounting adjustments over the term of the contract were agreed with the auditors EY. For 2022/23 they total £4.5 million, compared to £4.4 million in 2021/22. This accounting adjustment reduces overall costs and levies by £0.1 million.

12. Growth and Savings

- 12.1 The majority of Authority spending is committed under long term contracts (e.g. PPP) or agreements (e.g. loans) or governed by accounting requirements (e.g. depreciation). This leaves less opportunity for savings.
- 12.2 However, as part of the budget setting process at an operational level, a variety of measures (including the newly introduced managers challenge session with the Senior Management Team) have ensured savings across areas where managers are able to exercise some control.

12.3 The tables below identify the growth and savings which are included within the 2022/23 draft budget. The tables separate out real growth and savings from other movements reflecting longer term decisions.

12.4 Summary table:

	£ 000's
Net budgeted costs/levies 2021/22	65,119
Growth	3,270
Savings	(4,211)
Other movements	374
Budgeted costs/levies 2022/23	64,552

12.5 Growth table:

Area	Explanation	Growth £ 000's
Waste Transport and Disposal	Increased prices for contracts under procurement including transport (£374,000) and green waste (£579,000) and movements in volumes and prices for mattresses (£322,000) and other materials (£7,000)	1,282
Funding of borough services	Payments for borough HRRRC improvements (£1,200,000)	1,200
Premises	Increased utility costs (£24,000) and rates (£23,000), repairs and maintenance (£19,000), permits and licences (£26,000) and other minor items (£17,000)	109
Employees	Growth in establishment, salary inflation (2%) national insurance (1.5%) and increments (£294,000), growth in learning and development (£80,000), recruitment (£20,000), other minor items (£2,000)	396
Supplies and Services	Increased external audit fees (£48,000), new food waste bin cleaning operations (£25,000), system licences including routing software, IT infrastructure and HR system (£56,000), rise in insurance premiums (£15,000), increase in fuel oil and site machinery costs (£38,000), circular economy hub project (£35,000) and other minor movements (66,000),	283
		3,270

12.6 Savings table:

Area	Explanation	Saving £ 000's
Waste Transport and Disposal	Principally reduction in volume of residual waste forecast by boroughs (£1,721,000), improved haulage compaction to reduce transport costs (£110,000), separating black bag and bulky waste at HRRCs (£130,000), segregation of recyclables (£125,000)	(2,086)
Premises	Reduction in share of SERC rates	(57)

Supplies and Services	Reducing miscellaneous costs (£25,000), consultancy (£20,000), telephony (£4,000) and leasing costs (£4,000)	(53)
Other Income	Site rental (£12,000) and other minor improvements (£3,000)	(15)
PPP one off benefit	From PPP income sharing arrangement	(2,000)
		(4,211)

12.7 Other movements table:

Area	Explanation	Increase / (Decrease) £ 000's
Depreciation	Reflecting property valuations agreed with auditors for the last accounts	569
Financing Costs	Reflecting reducing interest in repayment loans for SERC with boroughs	(125)
Revenue Funding of Debt	Reflecting rising repayment of principal in repayment loan for sites with PWLB	21
Concession Accounting Adjustment	Reflecting adjustments agreed with auditors for the last accounts	(91)
		374

13. PAYT / FCL split

13.1 PAYT costs relate to waste that boroughs collect and deliver to transfer stations and FCL costs are those which relate to waste from HRRC sites and the Authority's running expenses.

13.2 Both also include an element for the recovery of SERC financing costs, depreciation, rates and concession accounting adjustments.

13.3 The breakdown of the budget between PAYT and FCL activities is as follows:

PAYT (disposal cost)	2021/22 £000's	2022/23 £000's	Change £000's
Waste Transport and	43,871	41,894	(1,977)

Disposal			
PAYT Levy (disposal)	(43,871)	(41,894)	1,977
Total	0	0	0

PAYT (SERC cost)	2021/22 £000's	2022/23 £000's	Change £000's
Depreciation (SERC)	6,889	7,204	315
Financing Costs (SERC)	4,078	3,976	(102)
Premises (SERC)	1,247	1,194	(53)
Concession Accounting Adjustment (SERC)	(3,772)	(3,838)	(66)
PAYT Levy (SERC)	(8,442)	(8,536)	(94)
Total	0	0	0

FCL	2021/22 £000's	2022/23 £000's	Change £000's
Waste Transport and Disposal	6,492	7,664	1,172
Employees	2,252	2,648	396
Premises	1,373	1,478	105
Supplies and Services	968	1,198	230
Depreciation	2,351	2,605	254
Financing	1,152	1,129	(23)
Revenue funding of Debt	941	962	21
Concession Accounting Adjustment	(610)	(635)	(25)
Non Levy Income	(2,113)	(2,128)	(15)
PPP one off benefit	0	(2,000)	(2,000)
Funding borough services	0	1,200	1,200
FCL Levy	(12,806)	(14,122)	(1,316)
Total	0	0	0

13.4 Note that above there are two elements of the PAYT and one element of FCL.

14. Levy Setting

14.1 The breakdown of the Authority's costs into the three components identified in section 13 are the basis of the charging to boroughs. Each element is apportioned to boroughs in different ways.

1. PAYT (disposal) – Rates (£/tonne) for different materials which reflect the average prices paid to contractors, charged to boroughs initially on the basis of budgeted

tonnes but then reconciled and adjusted (with rebate/charge) at the end of each quarter to reflect the actual tonnages.

2. PAYT (SERC) – this is the apportioned recharge of SERC costs (depreciation, financing etc) . The cost is initially apportioned and charged on the basis of budgeted tonnes then at the end of every quarter recalculated using the actual tonnage with any adjustment being rebated/charged to the borough.
3. FCL (fixed) – this is the recharge for all other costs (i.e. HRRC, overheads, an element of SERC costs etc) apportioned on the basis of boroughs tax base from their final approved CTB1 returns.

Details of these follow in the next two sections.

15 PAYT Levy Income

15.1 As identified above the PAYT is made up of two components and therefore the PAYT levy is too. Combined the PAYT levy will total £50.4 million (from the table above £41,894 plus £8,536).

15.2 The table below shows the proposed disposal rates for waste in 2022/23.

Material (Disposal)	2021/22 £ per tonne	2022/23 £ per tonne
Residual	104.91	101.09
Gully	55.93	57.31
Food	10.92	9.98
Green	29.09	40.00
Mixed food and green	50.45	N/A
Wood	42.37	43.54
Rubble	45.19	45.08
Soil	45.95	46.35
Gypsum	93.93	93.93
Mattresses (per mattress)	4.41	4.40

15.3 In addition to this, the Authority manages non-household waste from HRRC sites and incurs transport costs. On a similar basis the average transport charges for 2022/23 are provided below.

Material (Transport)	2021/22 £ per tonne	2022/23 £ per tonne
Residual (collected)	8.34	11.26
Other recyclables (collected)	10.93	15.34

15.4 These rates represent the average cost (or estimated cost for contracts due to be procured) to the Authority for the disposal and transport of materials. They reflect the blended price expected to be paid to a number of contractors.

15.5 Procurement for new transport and green waste contracts next year are expected to result in an increase in prices due to the specific market challenges for these materials which are summarised below. The procurement process will as usual include borough input and publication of tenders to encourage competition to achieve the best prices and quality.

15.6 For transport, the general market conditions are challenging with rising driver salaries due to driver shortages, rising fuel prices and long delays for delivery of new vehicles

meaning new market entrants and new bidders will have obstacles to overcome simply to bid.

15.7 For green waste the challenge is more localised. The supply of local processors is limited (hampering competition) and the cost of transporting waste to processors further afield is compounded by the transport market issues described above. These factors contribute towards expectations of significantly higher prices.

15.8 These rates are applied to the 2022/23 tonnage forecasts from boroughs and result in a monthly charge to them. Each quarter end a reconciliation exercise will take place to adjust for the actual amount of waste that each borough delivers, so boroughs only pay for the volume of waste actually disposed.

15.9 Using tonnage forecasts from boroughs, the PAYT charges for 2022/23 are as follows:

Borough	2021/22 PAYT disposal charge £000's	2022/23 PAYT disposal charge £000's	Increase / (decrease) £000's
Brent	7,928	7,790	(138)
Ealing	8,775	8,159	(616)
Harrow	6,108	6,130	22
Hillingdon	8,002	8,169	167
Hounslow	7,657	6,799	(858)
Richmond	5,401	4,847	(554)
Total	43,871	41,894	(1,977)

15.10 The movement in the disposal costs of borough collected waste is reflected here.

15.11 It is worth noting that the above levies use borough forecasts for the volumes of waste, including any implications from service changes. The borough's PAYT tonnage forecasts for residual waste, the largest component of PAYT, are provided below:

Borough	2021/22 budgeted tonnage	2022/23 budgeted tonnage	Growth tonnage
Brent	73,980	73,970	(10)
Ealing	81,141	78,103	(3,038)
Harrow	54,898	55,653	755
Hillingdon	67,552	68,726	1,174
Hounslow	69,732	62,093	(7,639)
Richmond	48,544	44,993	(3,551)
Total	395,847	383,538	(12,309)

15.12 As previously reported the 2021/22 borough tonnages were forecast at the peak of the pandemic when collected waste volumes were at their highest. The 2022/23 borough forecasts reflect the current generally lower levels of collected residual waste. This is a key factor for the reduction.

15.13 It is worth repeating that should borough waste volumes be higher or lower than forecast, then each quarter boroughs will be charged or refunded a sum to ensure they pay only for what is actually delivered.

15.14 The second, PAYT (SERC) component relates to the £8.5 million SERC cost, equivalent to £23.14 per tonne (2021/22: £21.47). This will initially be apportioned and levied on the basis of 2022/23 budgeted residual waste tonnages excluding gully waste. A quarterly exercise will then adjust this sum to reflect the actual residual tonnages delivered that quarter with a reimbursement or additional charge. The initial apportioned annual charge is summarised below.

Borough	2021/22 PAYT SERC charge £000's	2022/23 PAYT SERC charge £000's	Growth £000's
Brent	1,568	1,646	78
Ealing	1,733	1,738	5
Harrow	1,178	1,239	61
Hillingdon	1,450	1,530	80
Hounslow	1,473	1,382	(91)
Richmond	1,040	1,001	(39)
Total	8,442	8,536	94

15.15 The movement in the proportion of SERC cost (depreciation, financing etc) relating to borough collections is reflected here.

16. FCL Income

16.1 The FCL charge primarily relates to the costs of managing the treatment and disposal of household waste delivered to HRRC sites. It also includes the Authority's administration and nets off other income. These costs are apportioned to the boroughs.

16.2 The apportionment calculation initially uses last year's provisional Council Tax base figures provided by the boroughs. However, when charging, the FCL costs will be apportioned using the final borough approved Council Tax base. Borough Council Tax base figures may not all be published in time for the January Authority meeting and therefore the FCL charges will be finalised shortly afterwards.

16.3 On this basis the draft FCL (fixed) charge is as follows:

Borough	2021/22 FCL charge £000's	Estimated 2022/23 Council Tax base	2022/23 FCL charge £000's	Change £000's
Brent	2,205	98,176	2,432	227
Ealing	2,348	104,520	2,589	241
Harrow	2,000	89,044	2,205	205
Hillingdon	2,269	101,038	2,503	234
Hounslow	1,971	87,775	2,174	203

Richmond	2,013	89,612	2,220	207
Total	12,806	570,165	14,122	1,316

16.4 The movement in all other costs including disposal and haulage of HRRC waste,

16.5 The FCL (fixed) sum will not change over the course of the year. The Authority bears any loss or surplus resulting from overspend or underspend.

17. Other Income and one-off benefit

17.1 The 2022/23 budget is £2.1 million, which is marginally better than 2021/22.

17.2 The majority of the income is from trade waste (£1.5 million). The proposed main trade and construction charges per tonne at Abbey Road are largely unchanged and are provided below.

Type of waste	2021/22 £	2022/23 £
Trade waste residual and wood	160.00 for account customers and £165.00 for others	160.00 for account customers and £165.00 for others
Trade waste recycling	80.00	80.00
Asbestos (Households only)	272.00	272.00
Mattresses (per mattress)	15.00	15.00
Bulky items	218.00	218.00
Gas bottles from commercial sources	5.00	5.00
Fire extinguishers from commercial sources	5.00	5.00
Fridges from commercial sources	40.00	40.00

17.3 Changes and further charges may be introduced during the year in response to market conditions and where appropriate in consultation with LB Brent. It is recommended that delegated authority be given to the Treasurer to change charges in year should the need arise.

17.4 Other income includes an agency fee which passes on the costs of running the Abbey Road HRRC to the local borough. This is being maintained at current levels.

17.5 In terms of the £2 million one-off benefit from the PPP contract. This is a result of the recent increase in electricity prices which means that Suez generate more income from the power produced by the SERC. This in turn means that the level of income reaches a threshold (per the PPP contract) above which Suez have to give some of that income to the Authority.

17.6 We have estimated that should electricity prices remain at the current levels, that this benefit would equate to £2 million. Market information indicates that this is likely. However, electricity prices can move down as well as up. Therefore to ensure boroughs receive a benefit in 2022/23 and have certainty for planning, any difference between this estimate and the final outcome will be managed through reserves.

18. Capital

18.1 The new capital budget requirements for 2021/22 are listed below:

- £500,000 DMR and food recycling infrastructure at Abbey Road – increasing options for material contracts and improving recycling and diversion rates from residual treatment. This essentially upgrades and future proofs Abbey Road for EPR.
- Circular economy hub solutions including shipping containers (£90,000)

18.2 It is worth noting the following existing capital budgets. These are balances remaining on budgets for capital works still in progress/to be commenced, which were previously approved by the Authority and will be rolled forward until completion or eliminated if not required.

- Abbey Road improvements (£546,000) including CCTV fire & ANPR systems, solar panels, mobile plant for bulky waste, shuttering/re-concrete of contamination bay, mechanical pallet mover, new main gate, electric van charging point, LED lighting and water service improvements.
- Victoria Road bulking facilities (£1,000,000) representing 50% of the capital budget to complete work to increase bulking and sorting capacity to enhance and localise material value and reduce whole system bulking costs.
- New weighbridge software (£20,000)
- Textile/Nappy collection facilities (£10,000)
- Resurfacing work at Transport Avenue and Victoria Road (£290,000)

19 Reserves

19.1 Reserves represent an organisations net worth. They provide a buffer for an organisation to manage risks, for example the fluctuations in the level of activity or costs – these variances in costs lead to surpluses and deficits being absorbed within reserves. On this basis, the Authority’s approach to reserves has been to build up sufficient reserves to act as a buffer against risk.

19.2 The added benefit of reserves is that they can be used to stabilise pricing by removing the need for “in year” price reviews. For boroughs and indeed the Authority, this pricing stability / predictability facilitates much better planning and budgetary control.

19.3 For 2022/23 the proposal for reserves is cautious given the continuing uncertainties resulting from the pandemic and risk in relation to the PPP one off benefit.

19.4 Considering reserves in overall terms, identifying known risks facing an Authority provides a useful basis for determining a suitable level of reserves for managing risk. The specific risks and potential costs and likelihood that could be associated with them are as follows:

Risk Description	Mitigations	Likelihood	Financial Risk (£000's)
The budget is based on assumptions of indexation/ inflation, particularly in relation to contracts. There is a risk of higher costs due to higher than	Use of reputable forecasts e.g. HM Treasury	High	£2,500 (representing approx. 5% of WTD costs)

anticipated indexation/inflation, particularly the impact of utility prices and driver shortages on prices.			
An extremely challenging insurance market for the waste sector leading to difficulties in insuring activities	Essentially a sum to self insure should it not be possible to secure some/all insurances	Medium	£1,400 representing the value of the largest insured asset (Abbey Road)
Borough FCL tonnages are higher than budgeted resulting in an under-recovery of HRRC disposal costs through the FCL charge which is fixed	Using data and working closely with borough colleagues to try and forecast tonnages accurately	Medium	£900 (based on residual FCL tonnages at 20% in excess of budgeted levels)
Risks / costs will arise from the complex PPP contract as a result of terms that are unclear or ambiguous in relation to the day to day operation and running of services.	Team and professional advisors with experience and knowledge of detailed contract terms	Medium	£700 (based on previous experience of contractual issues)
With a large number of competitors ready to receive trade waste, there is a risk that price competition could lead to a reduction in planned trade and construction income despite more competitive pricing	Ongoing monitoring of trade income and market place	Medium	£300 (representing 20% of trade income)
Whilst the contractor bears most of the risk in the event of the loss/closure of a transfer station, in major events like this there is a possibility of unforeseen additional costs in implementing and operating alternative arrangements. Therefore it would be prudent to set aside something for these uncertainties.	Contract terms, contractor business continuity plans and contingency arrangements, insurances	Medium	£1,400 (representing 2 weeks of residual waste disruption in our biggest contract)
PPP one off benefit not being realised	Ongoing monitoring of the market place for wholesale electricity prices and third party waste	Low	£2,000 (representing the budgeted savings and income)
Target level for reserves to manage risks			£9,200

19.5 The target level of reserves for 2022/23 of £9.2 million compares to £7.4 million in 2021/22. The main change relates to the new £2.0 million risk of the PPP one off benefit not materialising.

19.6 Ultimately, the level of reserves is a judgment based on the nature of risk facing an organisation and its risk appetite. On the basis of the risks identified above and

appreciating that there are unknown risks which could materialise, the proposed level represents a prudent and not overly cautious target for reserves.

19.7 The forecast reserve position for the year ending 31 March 2022 is:

	£000's
Total Reserves 31 March 2021 per accounts	15,616
Less Revaluation Reserve (artificial gain/not realisable)	(7,768)
Reserves available to manage risks 31 March 2021	7,848
Forecast surplus for 2021/22	472
Forecast position for 31 March 2022	8,320

19.8 Provided that no risks materialise and something close to the £8.3 million forecast position is achieved for 2021/22, the Authority will be close to its target level.

19.9 In comparison other London waste Authorities hold reserves ranging from £31 million to £98 million. The scale of these may reflect particular risks they face or be sums set aside for specific projects.

19.10 It should be noted that the Authority has a good history of passing on excess reserves to boroughs as reflected in the comparison above. On the basis there are no forecast excess reserves, for 2022/23 all reserves should retained and no disbursement is proposed.

20 Medium and Long Term Plan

20.1 The plan has been updated to incorporate the proposed budget and uses long term base case assumptions of 0.5% for the annual growth in residual tonnages to reflect population increases, and 2.0% for inflation, the long term HM Treasury target.

20.2 The key outputs can be found in Appendix 1 and this shows a healthy financial position. The assumptions are then flexed to identify the key factors effecting the Authority's finances. This identifies changes in the residual waste tonnages as the key strategic factor determining the growth in costs and levies. Inflation is far less of a cost driver as a result of the dampening effect of the PPP contract pricing mechanism.

20.3 The financial model also a flavour of the impact of the government's Resource and Waste Strategy (RWS). These are provided in the sensitivity analysis in Appendix 1 which highlights the funding for Extended Producer Responsibility as potentially having the greatest direct financial impact for the Authority.

20.4 The sensitivity analysis also identifies the opportunity to drive down costs/levies and improve the carbon impact by extracting food waste from the residual waste stream.

20.5 The key messages from the plan are consistent with last year and are positive.

- The volume of residual waste is the key driver of spend/levies so should be a key area of strategic focus
- The effect of inflation is dampened by the PPP contract
- The Authority will be debt free at the end of the plan and will maintain healthy cash balances to manage any liquidity risk
- The RWS and food waste provide financial opportunities to reduce cost/levies

21 Borough Responses to Budget Consultation

- 21.1 The formal borough responses to the 2022/23 budget proposals from borough Finance Directors can be found in appendix 2. Responses were received from every borough and there were two common themes (i.e. raised by 3 or more boroughs).
- 21.2 The main common theme related to reserves.
- 21.3 Notwithstanding the representations of the boroughs for a further distribution of reserves, it is the view of the Treasurer that in addition to the known risks quantified in the risk analysis, the authority must also respond to the medium and longer term economic and social context of its operations. Accumulating the appropriate level of reserves to provide the necessary assurance of stability in the medium and long term is not easily achieved, and whilst reserves are easily disbursed they are not so easily built up again.
- 21.4 The Treasurer advises that in the current context he does not consider that it would be an appropriate time to weaken the medium and long term position of the authority by reducing the level of unearmarked reserves. The Treasurer also notes that the authority has the lowest level of reserves of any waste authority in London, reflecting ongoing confidence in the management of the organisation and sound financial management.
- 21.5 However, it is recognised that the environment will change and the outlook (risk position) will be far clearer early in 2022/23 – for example the contractual indexation will be known and there will be more data/understanding about the impact of Omicron (including effect on waste flows). Therefore it will be appropriate to review the level of reserves at an early stage.
- 21.6 The second common theme related to the mechanism for the £200,000 investment to improve the diversion rate at each HRRC.
- 21.7 This is something the Borough Partnership Group (i.e. borough environment leads together with WLWA Officers) are working on. The aim is to collectively establish and agree the mechanism, payment of funds and measurement of performance. This group will be meeting and working over the next two months to agree these. We will report back to Finance Directors as this progresses.
- 21.8 It is also worth noting that we will write to all borough Finance Directors with a consolidated response to all the points raised in their letters.

22 Financial Implications

- 22.1 These are included in the report.
- 22.2 It is a statutory requirement for the Authority to set a balanced budget (Local Government Finance Act 1992) and to set the levy for constituent boroughs by 15 February (Joint Waste Disposal Authorities (Levies) Regulations 2006).

23 Legal Implications

22.1 There are no legal implications of this report

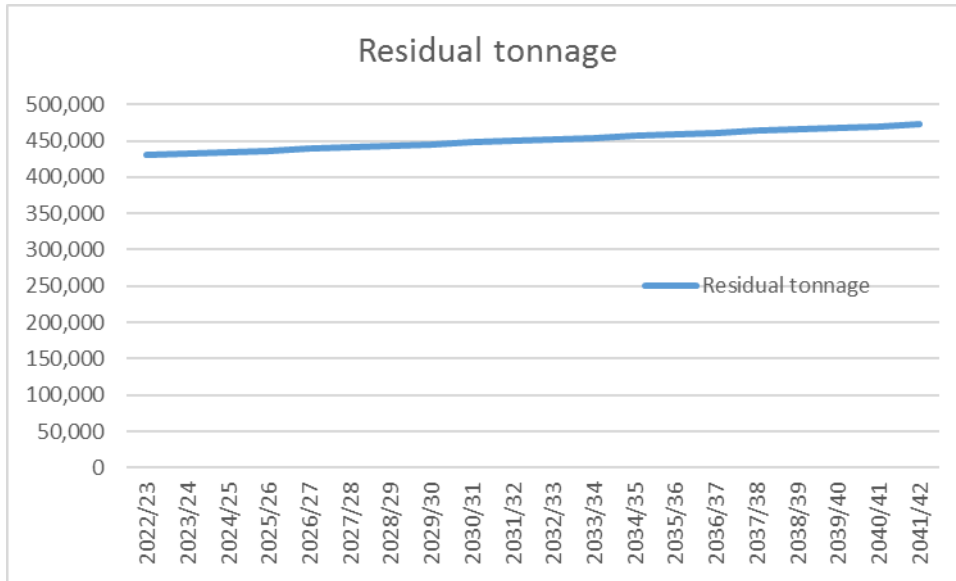
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Appendix 1

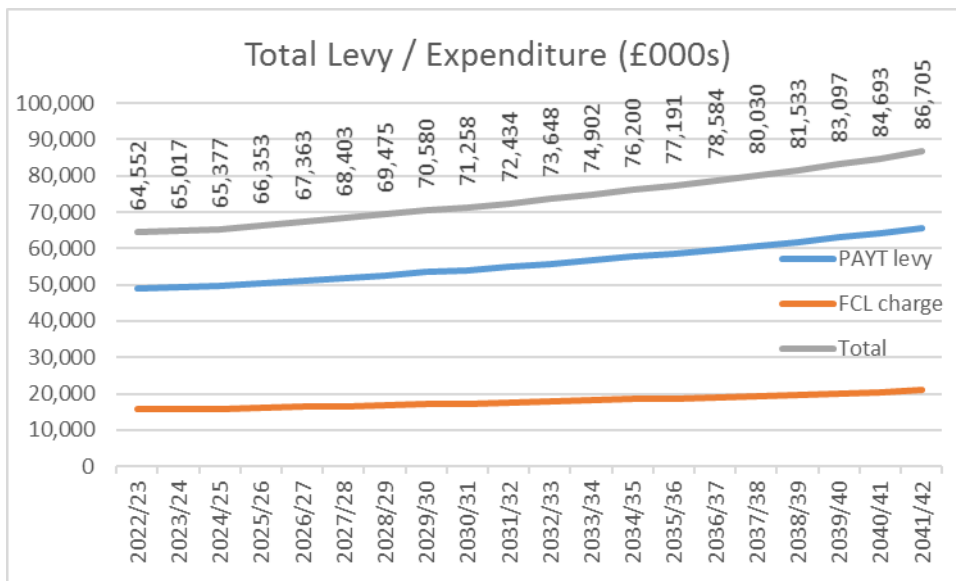
Outputs

Using the proposed budget and base assumptions, the medium and long term financial model then gives us some outputs, for example, how our costs (and consequently levies to boroughs) change over time, or how our loan and cash balance changes over time. The main outputs are provided below and illustrate that affecting residual waste tonnages is the key.

Tonnage – The chart below illustrates the impact of the base assumption of 0.5% annual growth in residual tonnage to reflect population growth. Over the life of the plan, the residual tonnage rises from 430,020 to 472,763 tonnes.



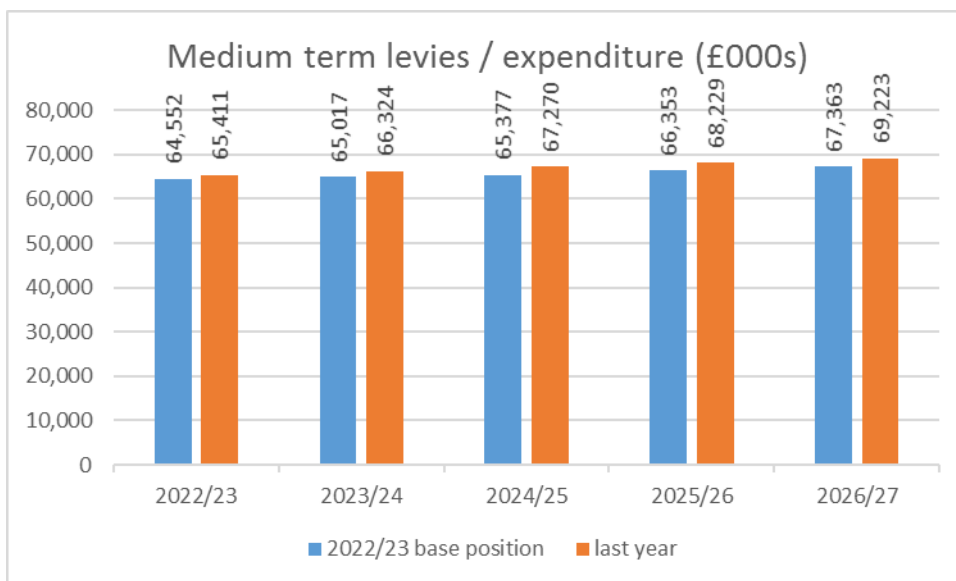
Overall expenditure – This equates to the total levies charged to boroughs and the chart below has been split to show the PAYT and FCL as well as the total. The chart illustrates the growth in overall expenditure and levies over time.



This chart above illustrates an average annual growth of 1.6% over the long-term which is significantly lower than the 2.5% underlying long term growth assumptions in the plan, principally inflation RPIX (2.0%) and annual growth in tonnages (0.5%) to reflect population rises.

This growth is contained as a result of the way the PPP contract is structured. This is because the first 235,000 tonnes is essentially protected from 90% of the effect of inflation. This significantly dampens the effect of inflation on residual waste costs over the whole life of the contract.

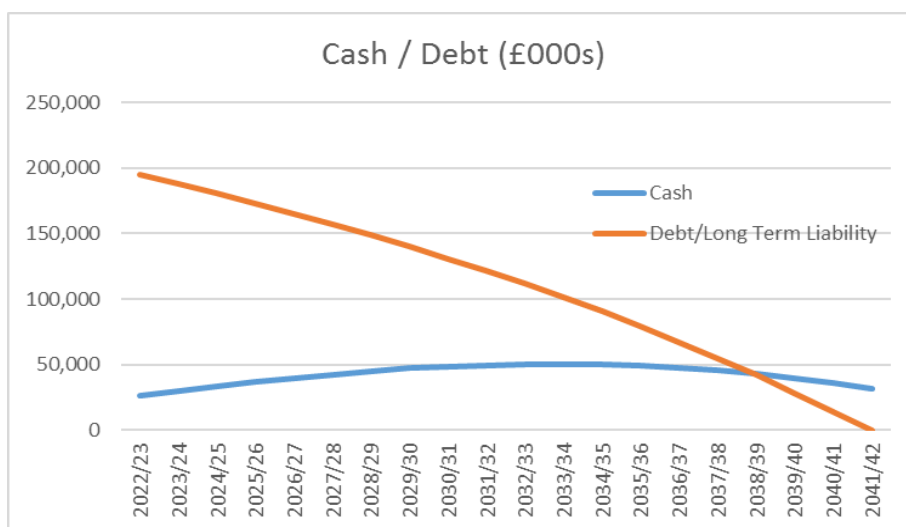
The dampened growth in costs and levies is further illustrated in the medium term in the chart below.



The table above shows an average growth in levies of 1.1% per year over the next 5 years. Boroughs may want to consider using this as an estimate of the increase in the WLWA levies within their medium term financial plans.

It also shows how the current medium term plan compares to the plan reported last year and this shows a consistent picture.

Debt / long-term liabilities and cash – The following chart illustrates the movement in the debt / long-term liabilities as they are paid / settled. The repayments commence at a low level and progress at increasingly larger sums, resulting in the debt/long term liability curve. The effect of the financing is reflected in the cash balances which build up in early years and fall in later years.



At the end of the plan, the Authority will be debt free.

Sensitivity Analysis

The two tables below illustrate that the impact of the change in residual waste volumes is the key driver of costs/levies with changes in inflation having a much smaller impact. This is because the effect of inflation is considerably dampened by the long term PPP contract.

Residual tonnages.

Residual waste growth assumption	Average rise in costs / levies over 5 years
-5%	-3.9%
-2%	-1.2%
-1.5%	-0.8%
-1%	-0.3%
-0.5%	0.2%
0%	0.6%
0.5% base	1.1%
1%	1.5%
1.5%	2.0%
2%	2.5%
5%	5.2%

Similarly for residual contract inflation (RPIX).

Residual contract inflation RPIX	Average rise in costs / levies over 5 years
1%	0.7%
2% base	1.1%
3%	1.4%
4%	1.8%
5%	2.2%
6%	2.6%

The resource and waste strategy's impacts are likely to be far reaching and long term. For the Authority the two key elements that will have a direct financial impact are the Deposit Return Scheme (DRS) and Extended Producer Responsibility (EPR).

Consumers will be incentivised to recycle DRS materials directly (e.g. drinks containers such as bottles and cans) so this is likely to reduce the volume of residual waste.

For EPR (packaging material e.g. card, plastics etc), Authorities will receive funding for their processing costs. This includes EPR waste in the residual waste stream.

The recent waste composition analysis provided a snapshot of the contents of the residual waste collection stream. It showed that 3% of the residual waste were materials that would be covered by the DRS and 20% by EPR. Changes to the residual waste composition for these materials will be the main factors.

Therefore the scenarios below show how the long term financial picture could improve if these government interventions are successful and waste is extracted from the residual waste stream.

DRS Scenarios	Average rise in costs / levies over 5 years
Base case, no DRS stripped out	1.1%
1% stripped out	0.9%
2% stripped out	0.8%
All 3% of DRS material stripped out	0.7%

EPR Scenarios	Average rise in costs / levies over 5 years
Base case, nothing funded by EPR	1.1%
5% funded	0.3%
10% funded	-0.5%
15% funded	-1.3%
All 20% of EPR materials funded	-2.0%

The above tables show that given the volume of EPR materials within the residual waste stream, this could have the biggest direct financial impact.

Whilst the RWS is reasonably clear about the type of key high level financial drivers for DRS and EPR, which improves the likelihood of some success, the scale of the financial drivers is less clear i.e. the amount consumers will pay as a deposit in DRS and the level of funding for EPR.

Also it is far less clear about financial drivers for food waste. However, the recent waste composition analysis identified 32% of the collected residual waste stream as food waste. On the basis of this high proportion it is important to also consider food waste sensitivities.

Food Scenarios	Average rise in costs / levies over 5 years
Base case, no food stripped out	1.1%
5% stripped out	0.4%
10% stripped out	-0.3%
15% of the 32% food moved to food stream	-1.0%

This shows that stripping out food waste from the residual waste stream and processing it through the food waste stream will deliver a reduction in costs and levies and importantly in the carbon impact.



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4 January 2022

Dear Jay,

Re: Response on the consultation regarding the WLWA Budget and Levy for 2022/23

We have reviewed WLWA's budget and levy for 2022/23.

1 FCL should not be increased

- 1.1 It is helpful that overall levies are due to reduce slightly this year.
- 1.2 The tables at para 13.3 show that the £1.2m funding borough services can be argued to be paid for by the 11% increase in the Fixed Cost Levy. The forecast surplus for 2021/22 together with increasing reserves mean that the FCL increase is unnecessary. At a time of increasingly stretched local authority finances, the FCL should not be raised.

FCL	2021/22 £000's	2022/23 £000's	Change £000's	% change
Waste Transport and Disposal	6,492	7,777	1,285	20%
Employees	2,252	2,648	396	18%
Premises	1,373	1,478	105	8%
Supplies and Services	968	1,183	215	22%
Depreciation	2,351	2,605	254	11%
Financing	1,152	1,129	-23	-2%
Revenue funding of Debt	941	962	21	2%
Concession Accounting Adjustment	-610	-635	-25	4%
Non Levy Income	-2,113	-2,128	-15	1%
PPP one off benefit	0	-2,000	-2,000	
Funding borough services	0	1,200	1,200	
FCL Levy	-12,806	-14,219	-1,413	11%
Total	0	0	0	

1.3 The £1.4m additional Fixed Cost Levy charges translate to local authorities as follows:

Borough	2021/22 FCL charge £000's	Estimated 2022/23 Council Tax base	2022/23 FCL charge £000's	Change £000's
Brent	2,205	98,176	2,448	243
Ealing	2,348	104,520	2,607	259
Harrow	2,000	89,044	2,221	221
Hillingdon	2,269	101,038	2,520	251
Hounslow	1,971	87,775	2,189	218
Richmond	2,013	89,612	2,235	222
Total	12,806	570,165	14,219	1,413

2 Distribution of surpluses should be automatic

- 2.1 The £1.2m for borough improvements and the previous £3m food waste initiative in effect distributes surplus funds to local authorities. We support the distribution of surplus funds rather than keeping them in reserves.
- 2.2 However, we think that funds should be distributed back to local authorities in a straightforward way without local authorities having to go through certain criteria in order to receive the distributions. It should be up to individual local authorities to decide on their priorities and use of capacity and resources.
- 2.3 In addition, distributing surpluses as a fixed amount to each local authority is not equitable when different local authorities contribute different amounts to WLWA. Surpluses ought to be distributed more equitably based on total payments to WLWA. While differences in individual distributions may not be large, over time this adds up.

3 Project Resources

- 3.1 We have appreciated WLWA's support and involvement in our street cleansing and waste services procurement. We are pleased to see the continued focus on collaborative change across the whole system, especially around reducing residual waste. We support WLWA's ambitions to continue to provide project management, data analysis, management information and financial due diligence in relation to the business plan projects when support is requested by local authorities.

4 Reserve levels are over prudent

- 4.1 The consultation document proposes to increase the reserve target from £5.1m 2020/21 to £7.4m in 2021/22 to £9.2m 2022/23. As last year, this sets aside enough money to cover each risk's impact in full rather than considering the likelihood. Given that the likelihood of any particular risk materialising varies, it is more usual to assign a probability and apply that to the potential value when determining the target level of reserves. WLWA's methodology has the impact of over-providing for the identified risks. We think that the level of reserves is therefore over prudent and a distribution to local authorities should be made.



2

We would be happy to discuss these points further if that would be helpful.

Kind regards,

Rav Jassar
Deputy Director of Finance
Brent Council

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6 January 2022

Dear Jay,

West London Waste Authority (WLWA) 2022/23 Budget Consultation

Thank you for your letter of 24 November which sought our comments on the 2022/23 WLWA Budget proposal.

Set out below are our comments and views:

1) West Waste Levy Allocation

- We note and agree for the allocation methodology to remain same as 2021/22.
- Please note that the current estimated council taxbase used for the FCL for 2022/23 is 118,673.
- It is not clear the rationale behind why the estimated council taxbase 2022/23 is lower than 2021/22. We would propose that going forward you collect an estimate of council taxbase from boroughs which will avoid such anomalies.
- The growth value included within the SERC table set out under paragraph 15.3 includes an arithmetic error.

2) HRCC Service Improvement Fund

- We welcome WLWA proposal to set aside one-off funding (upto £0.200m per borough) next year for boroughs to deliver improvements in HRRC operations to drive better diversion rates.
- Details of the funding/performance mechanism need to be made available as soon as possible to allow for councils to submit proposals and plan for any proposed changes during 2022/23.
- To reiterate request made by West London Treasurers at the meeting in December, can proposals be shared with WLT to understand delivery timelines and impact of the combined proposals on the overall volume/budget.

- It is not clear from the budget report what happens in the circumstance where the funds have not been accessed by a particular borough? Can these be utilised for other improvement projects identified by the respective borough?

As a general point, please note that visibility of financial plans beyond one year is essential to the Council's Medium Term Financial Strategy (MTFS). Our budget process requires that we produce MTFS that covers a minimum 3 years. As such, we would consider it reasonable to expect a MTFS from WLWA covering a similar timeframe. This should also help explain the planned medium term financial benefits of the WLWA strategy.

Yours sincerely



Ross Brown
Chief Finance Officer

Tel 020 8825 6110
Email brownro@ealing.gov.uk

Resources Directorate, Finance Division
Dawn Calvert, Director of Finance and Assurance

Ian O'Donnell
Treasurer
West London Waste Authority
Unit 6 Britannia Court
The Green
West Drayton
UB7 7PN

17th December 2021

Dear Ian

Thank you for your letter of 24th November 2021, which sought the views of constituent boroughs on the 2022/23 draft budget.

Residual waste tonnage continues to rise throughout the period of pandemic and this presents a significant financial challenge. In Harrow, the continuous increase in waste disposal costs results in the need to build in budget growth year on year in our MTFS. I would welcome any support from the Authority in mitigating the budget pressure. Although the Authority's 2022/23 budget suggests a reduction in overall waste disposal costs, this is primarily driven by the reduction in the tonnage forecast submitted by boroughs as detailed in paragraph 15.1. I cannot see any proposal in the budget that provides operational efficiencies to drive costs down.

It is positive news that the PPP contract is expected to achieve a one-off £2m from income sharing arrangements. I welcome the distribution of £0.2m to each borough, but would like to see more flexibility on the use of this fund within Waste Management rather than restricting this to service improvement in HRRC operations. From the meeting I had with Jay and Tom on 16th December, I understand that the funding will be spent on initiatives like the installation of signage and containers. There are already separate containers and signage in place in our HRRC for residents to dispose of different types of waste appropriately, therefore I would ask that the funding can be more flexibly applied to maximise operational efficiencies of the service.

I note that the latest budget forecast for 2021/22 identifies a surplus of £1.024m and this is being used to top up the reserves. It is worth pointing out that a financial risk of £2m is allocated within the target level of reserves to mitigate against PPP one off benefit not being realised, however the likelihood of this risk is categorised as low. I would expect that

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the £2m one-off income is included in the 2022/23 budget only if the Authority has a good degree of certainty of achieving it. Therefore putting the full amount as financial risk at the same time appears to be over prudent. If the Authority plans to use the one-off income in the budget next year, the money must be available and cannot be a risk. The in-year surplus is generated by boroughs' levy payments, so I would ask the Authority to consider a reimbursement of this after the account has been finalised.

The report explains that the growth in staff establishment will provide the resource to drive forward business plan objectives and undertake the increasing volume, variety and complexity of work. Although it reports that the staff establishment remains stable, the number has actually increased from 36.5 FTEs in 2018/19 to 40.1 FTEs in 2022/23. There is also a growth of £80k in learning and development budget. These back office overheads represent a sizable increase in costs that put further budget pressures on all six boroughs. A number of project resource is funded from the budget, so I would like to see how this is distributed to ensure that Harrow gets a tangible benefit out of this. There is also a need to have a clear link between investment and future cost efficiencies that can be passed on to boroughs.

There is also a notable increase in FCL as illustrated in paragraph 13.3. Excluding the application of one-off benefit from the PPP contract, there is actually an increase of £2.213m in the overall FCL. Waste transport and disposal costs account for more than half of this increase. This just demonstrates the importance of minimising waste from being produced and diverting waste to recycling. It would be helpful to have more information on how various projects such as circular economy hubs and waste minimisation activities help with an illustration of the potential return on investment. This will help boroughs understand how the benefits arising from these are measured and the effectiveness of these recycling initiatives is reported and reflected in future budgets.

The report refers to financial modelling and sensitivity analyses on the impact of the government's Resource and Waste Strategy. My view is that, until there is certainty around how the DRS and EPR will be implemented and all various elements of changes are considered altogether, I cannot assume there will be a net financial benefit in our MTFS at this stage.

Yours sincerely,



Dawn

Paul Whaymand
Corporate Director of Finance
London Borough of Hillingdon
Civic Centre, High Street,
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UB8 1UW

Jay Patel
Head of Finance (Deputy s73 Officer)
West London Waste Authority
Unit 6 Britannia Court
The Green
West Drayton
UB7 7PN
jaypatel@westlondonwaste.gov.uk

RE: Response to the consultation on the WLWA budget and Levy for 2022/23

Dear Jay,

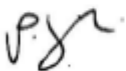
We have reviewed the WLWA proposed budget and levy 2022/23 and have the following comments to be considered:

We are of the view that any funds being distributed to Authorities, such as the £1.2m in this budget, are done so without prescriptive criteria being attached. These monies are essentially redistributing surplus funds to constituent Boroughs who have contributed and who should be best placed to direct the funds where needed in each Authority.

In terms of the levels of reserves, these have increased steadily over the past couple of years and we note that the surplus for 2021/22 of £1.2m is proposed to be added to the current reserve level, which takes the target balance to £9.2m. This balance seems overly prudent, with the full values provided for each risk identified including the £2,000k PPP income, rather than applying a proportion based upon the indicated likelihood of the risk materialising.

We would be more than happy to discuss these points with you.

Yours sincerely



Paul Whaymand
Corporate Director of Finance

cc Cllr Eddie Lavery – Cabinet Member for Environment, Housing & Regeneration
Perry Scott – Director of Infrastructure, Transport & Building Services
Cathv Knublev – Head of Waste Services



Clive Palfreyman
Executive Director of Finance & Resources

Chief Executive's Office
Hounslow House
7 Bath Road, Hounslow TW3 3EB

Mr. Jay Patel
Finance Director
(Deputy S73 Officer)
West London Waste Authority

Your contact: Clive Palfreyman
Direct Line: 020-8583-6682
E-Mail: Clive.Palfreyman@hounslow.gov.uk
Our ref:

Date 06th January 2022

Dear Mr Patel,

Re: West London Waste Authority Budget and Levy for 2022-23

Thank you for your email sent on the 25th November 2021 with the 2022-23 WLWA budget consultation letter and the draft WLWA budget report.

We acknowledge WLWA's effort to minimise the cost of waste disposal and the trajectory of growth through the processing of waste at the energy from waste plant and procurement of other waste processing contracts that has helped you to significantly dampen the effect of inflation on residual waste costs over the whole life of the contract. We also note the involvement of the line managers in budget setting and the senior leadership team challenge session to further reduce costs.

We note the 1% decrease in overall levies for 2022-23. This is mainly driven by the reduced tonnage projection. However, the increase in Fixed Cost Levy (FCL) 11% is significant. We understand this is mainly due to expected increases in costs in the 'Waste, Transport and Disposal cost' budget line. This has caused an additional c£0.2m budget pressure for Hounslow for 2022-23.

We note the one-off Public Private Partnership (PPP) benefit of £2m and the proposed increase in reserve from £7.4m to £9.2m is mainly to mitigate the risk of the PPP one off benefit not materialising. Despite the likelihood being "Low", the risk value is 100%. Considering the one-off benefit is expected for next year 2022-23, if this does materialise, we would like WLWA to consider distributing the excess reserve contribution towards the PPP risk to the local authorities at the end of the 2022-23 financial year.

We welcome the £0.2m payment per borough for agreed Household Reuse & Recycling Centre (HRRC) improvements and keen to work with WLWA to continue to develop and implement waste minimisation initiatives.

We look forward to receiving regular budget delivery reports and hope to continue working collaboratively with WLWA in the new year.

Yours sincerely,

Clive Palfreyman
Executive Director of Finance and Resources

Fenella Merry
Director of Resources
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4th January 2022

Ian O'Donnell
Treasurer
West London Waste Authority

Dear Ian

West London Waste Authority draft 2022/23 budget

Thank you for your letter dated 24th November 2021 seeking written views on the draft budget and levy for the forthcoming year. My comments are as follows:

1) Use of Council Tax base for fixed cost levy apportionment

Richmond would like to confirm that its approved Council Tax base for 2022/23 is 88,703.

2) Inflation assumptions

Whilst you have outlined that the first 235,000 tonnes is protected from 90% of the effect of inflation within the PPP contract, the assumption of 3% inflation for contractor prices could be low considering the latest monthly inflation figures. It would be helpful to outline the impact of a 1% inflation change, for each borough or the impact on reserve levels.

3) Payment of £200,000 per borough to drive improvements to services

How will this funding be paid to boroughs and how will its use be monitored and reported?

4) Reserves

- a. Paragraph 19 sets out the level of reserves available, with the increase in reserve relating to the new £2 million risk of the PPP one-off benefit not materialising. The £2 million is being distributed to the local authorities via £0.2m per borough and reduced levies. Given the current energy market with increasing prices, why is it deemed necessary to provide in full for the non-receipt of this expected £2 million?
- b. It would be helpful to clarify if the reserves figures quoted are useable reserves and to ensure comparable useable reserves are referenced for other London Waste Authorities in para.19.9.

Yours sincerely

A handwritten signature in cursive script that reads 'Fenella Merry'.

Fenella Merry
Director of Resources

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WEST LONDON WASTE AUTHORITY

Report of the Head of Service Delivery & Operations Manager

January 2022

Contracts and operations update

SUMMARY

This report provides an update on the Authority's various waste treatment arrangements and procurements.

RECOMMENDATION(S) The Authority is asked to:

- 1) Note the information within this report.

1. Introduction

This report provides an update on WLWA's existing contracts and operations for managing west London's waste. This conforms to key strategic outcomes in the new draft joint strategy (JMWMS) 'Effective and efficient operations focused on where we want to be in the future', 'better transport', 'carbon neutral by 2030', and 'collaborative models in the sub-region and pan-London'.

2. West London Residual Waste Services contract

The contract operated well over the Christmas period, with minimal disruption to Boroughs and strong stock management at the sites despite the challenges of high staff absence and reduced train services. At the time of writing, waste levels are high at the transfer stations as the extra waste created over Christmas arrives at the sites. This has led to some minor delays. Staffing levels are resilient and there is no reported disruption related to staff sickness from elevated Covid levels.

The programme of improvement works is also progressing, with waste compactor upgrades and additional weighbridges in place at Transport Avenue and in progress at Victoria Road. A new bulking building at Victoria Road is expected to be completed in the Spring, which will bring additional capacity and reduce turnaround times.

The contract continues to perform well against its KPIs, with landfill diversion at 99.9% (target 96.1%) and recycling of residual waste at 5.6% (target 2.1%).

3. Viridor residual waste contract (Lakeside)

The contract is operating well, and strong interface management with the above Suez-run contract helped to control waste flows well across the Christmas period, particularly when trains weren't running on the Bank Holidays.

4. Food waste contract

The quantities of food waste managed under this contract have increased by around 9% compared to last year due in part to Hillingdon collecting food separately from garden waste since May this year. The contract continues to operate well.

5. Green waste contracts

These contracts are:

- CountryStyle Recycling Ltd contract
- West London Composting Ltd contract

The contracts are operating well. Although demand is generally low at this time of year, Christmas tree recycling results in a short-term increase. All Boroughs offer Christmas tree collection services, which are generally operated by garden waste crews. In the event of staff shortages, garden waste collections will be reduced first, which could impact this service, however at the time of writing, Borough collections are running as normal.

Both green waste contracts will expire on 30 April and procurement documents will be issued to the market shortly. An appointment recommendation will be brought to the Authority ahead of its meeting on 25 March.

6. Transport contracts

The transport contracts are:

- For transporting non-recyclable waste from HRRCs and Dry Mixed Recycling (DMR) collected by Ealing, provided by J Shorten & Sons
- For the removal of segregated materials from the HRRC sites in roll-on roll-off containers, provided by Suez transport.

Both contracts are running well, and continue to deliver a high quality service. No issues have been reported over the Christmas period or subsequently.

Both transport contracts will expire on 31 May this year and the procurement process is underway. An appointment recommendation will be brought to the Authority ahead of its meeting on 25 March.

7. Dry Recyclables

This contract covers the sorting of Ealing Council's dry mixed recyclables from Greenford depot (Ealing) at Viridor's MRF at Crayford. The contract began in June 2020. Other Boroughs are able to join this contract at a later date.

Crayford MRF was divested from Viridor Ltd to N+P Group on 31st December 2021. The contractor is continuing to deliver high levels of service as it manages high volumes of recycling post-Christmas.

8. Waste Data Flow

Waste Data Flow is the online system used by WLWA and the Boroughs to fulfil their statutory duty of reporting waste performance figures. WLWA's data system now has sufficient data and functionality for WLWA to automatically populate Waste Data Flow on behalf of Boroughs. It currently does this for Harrow, Hounslow and Richmond, and it is estimated that the automated process is saving each Authority approximately £4,000 each per year in staff time.

9. Borough Transfer Stations and HRRCs

The HRRC booking system, which is operated by Pentagull for Brent, Ealing, Hounslow and Richmond, (introduced in May) continues to perform at a high standard, resulting in positive user feedback. Work is ongoing to analyse the service use data that the system produces, and feed this into HRRC and kerbside collection improvement projects.

WLWA officers and contractors continue to support Richmond's site by auditing health and safety and environmental compliance and rolling out an action plan and training plan. A new weighbridge system has also been introduced. Further joint improvement work is planned around increasing recycling and diversion, and site systems/processes.

A new CCTV system is being procured jointly for Abbey Road, Hounslow's Space Way site and the access roads at the rail linked transfer stations.

WLWA is working with Borough Environment Directors and Heads of Service to develop a west London-wide HRRC Improvement Programme, including funding, as described in the Draft Budget Report.

10. Abbey Road HRRC and WTS

Abbey Road HRRC and WTS is managed by WLWA, and the HRRC is run on behalf of Brent.

Staffing levels are good and the booking system has been adjusted to allow cyclists and pedestrians to book slots. The site falls within the ULEZ area, and monitoring is underway to determine the impact of ULEZ restrictions on site usage.

11. Health and Safety Implications

The Health and Safety Action Plan was presented at the last meeting. Since then, Covid-19 risk assessments have been updated in relation to the changing situation.

We are currently in the process of tendering for a new Health & Safety Advisor as current contractual arrangements expire at the end of January 2022.

12. Financial Implications

The impacts of the pandemic have led to changes in resident behaviours and therefore changes in waste flows. The Finance Report shows the impact of the changes on the Authority's budget.

13. Staffing Implications

None.

14. Legal Implications

Any specific legal issues are described in the body of this report.

15. Joint Waste Management Strategy Implication - The contracts mentioned in this report meet the Authority's Joint Waste Management Strategy policies, as described in Section 1.

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	Arron Alison, Operations Manager, arronalison@westlondonwaste.gov.uk	01895 545515

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Projects Update

SUMMARY

This report provides an update on the WLWA projects.

RECOMMENDATION(S)

1) *The Authority is asked to note the information within this report.*

1. Introduction - The West London Waste programme (Appendix 1) has been designed to deliver efficiency enhancement with a whole system, data-driven approach in line with our Mission and Purpose highlighted in our Business Plan.

This report covers the main project updates with governance of the wider programme managed through the WLWA senior management team.

2. Project development

The delivery of the programme has been split into six key areas each with an Environment Director and Member lead (Appendix 2). Policies and strategy on a page documents are being jointly developed in order to deliver a unified approach to whole system change. The documents have been drafted for all the areas and joint meetings are being held to align the key project outcomes and golden threads.

All member policy discussions and Environment Director strategy meetings will have been completed prior to the March Authority meeting.

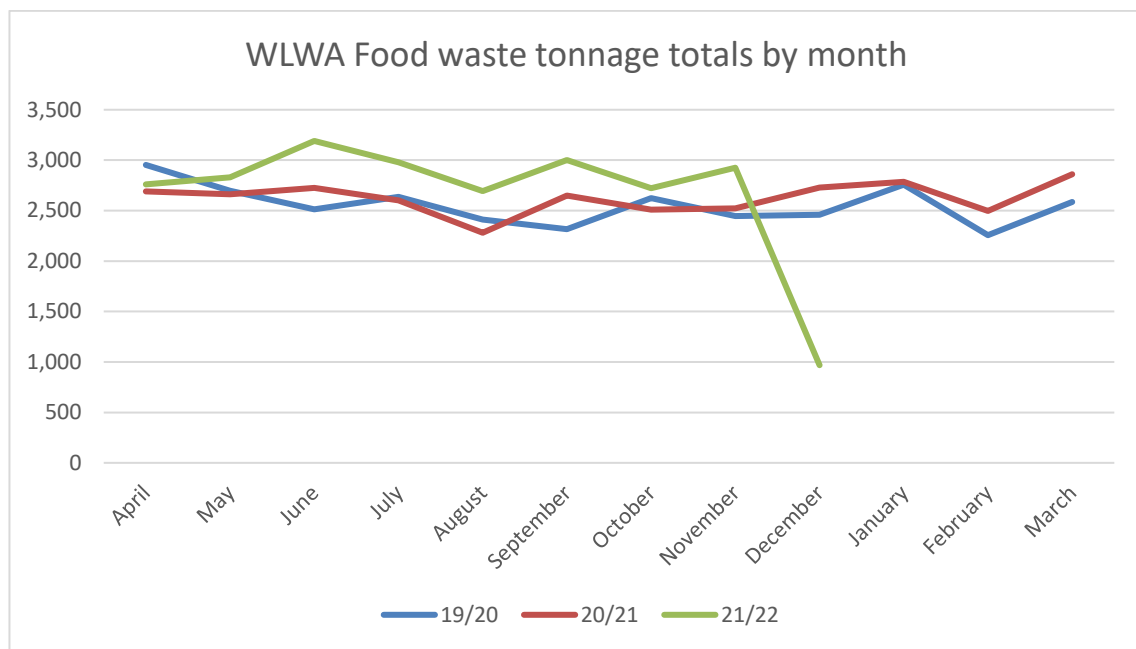
	Draft policy	Strategy on a page
Data Management	Green	Green
Smart Cities	Amber	Amber
HRRC transformation	Green	Green
Food Waste	Green	Green
Shared EPR funding plan	Amber	Green
Double Recycling infrastructure	Green	Green

2.1. Food Waste

The Food waste investment was an injection of £3M into the Brouchs to deliver structural service development to double food waste captured within 3 years. The funding was released to Boroughs for the delivery of their business cases in April 2021. Boroughs are proceeding with the food waste service investments. Some Boroughs have been delayed in the implementation of their business plans partially due to covid impacts and restrictions. WLWA project officers are working with the delayed Boroughs to help deliver the preliminaries required to roll out new services such as container procurements, communal property management group liaison and data work.

The volume change in the graph overleaf has been benchmarked against the last two years to ensure a more accurate baseline as opposed to 20/21 alone which was skewed by lockdowns. Total

segregated food waste has increased this year compared to previous years and with increasing properties accessing the service through the investment fund we expect this trend to continue.



There are several factors that influence the performance of the food services such as residual waste arising which has increased by c.6% during this time. Composition data from the residual waste analysis shows that the proportion of food waste being captured has increased versus the previous waste composition.

This creates a challenging measure for food waste services with the primary objective of the waste reduction. As service users develop a better understanding of their food waste habits and volumes the volume set out reduces. The Management Information team and project officers are working on some metrics and dashboards to align some of these variables to ensure improved efficacy of trend analysis and measures. These will be completed before the March Authority meeting.

Communal bin store surveys are being performed by Borough teams and supported by project team officers to enable efficient roll outs of new services and inform on effective targeted communications to underperforming areas.

The communications team are working with all Boroughs as part of the food waste programme on communications development for both wider food waste messaging and identifying effective materials and information for helping move low performing rounds onto the service.

2.2. HRRC investment fund

WLWA projects and operations teams are working with the Borough Partnership to identify the performance and investment requirements for the proposed £1.2M HRRC funding. The framework for the investment including the requirements for the business cases and timeline will be agreed at the Environment Directors group and completed by the March Authority meeting.

3. **Risk** – New legislation and details regarding EPR, DRS and the Environment Bill, that will impact on all waste services are expected soon. Officers are seeking to identify potential impacts are factor these in during the development of all projects.
4. **Financial Implications** – WLWA projects are designed to test and change the whole system to deliver benefits financially, environmentally and socially. Due to the whole system approach there are aspects of the delivery and returns that require significant partnership working and multiple stakeholder change, as such absolute returns are modelled, risk assessed and tracked but cannot be guaranteed.

5. **Staffing Implications** – none.

6. **Health and Safety Implications** – All fieldwork has been risk-assessed for the tasks to be completed and have had additional Covid-19 controls included in the mitigation measures where required.

Additional Health and Safety training is being planned for the team to ensure all members are informed to a standard to help raise awareness on site visits.

7. **Legal Implications** - none

8. **Joint Waste Management Strategy**

The projects mentioned in this report are intrinsically linked to the Authority’s Joint Waste Management Strategy. The projects are driving the design of the new policy through data, best practice and identification of opportunities, as well as delivering change to meet the desired outcomes and targets in the Strategy.

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	Sarah Ellis, Strategic Development Lead sarahellis@westlondonwaste.gov.uk	07584 631710
	Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk	01895 545515

Appendix 1 - Projects list and Status

Number	Project	Data Management	Smart Cities	HRRC transformation	Food Waste	Shared EPR funding plan	Double Recycling infrastructure	RAG
1	Brent Food Waste							
2	Ealing Food Waste							
3	Harrow Food Waste							
4	Hillingdon Food Waste							
5	Hounslow Food Waste							
6	Richmond Food Waste							
7	School Food Waste							
8	Absorbent hygiene products							
9	Solar PV at sites							
10	Smart bin housing							
11	Bulky Waste Service							
12	Bin Cleaning Station							
13	Food Waste data dashboard							
14	CCTV @ Abbey Rd							
15	Bin sensors							
16	Hillingdon Collections route optimisation							
17	HRRC Booking system							
18	Textile Strategy							
19	Abbey Rd redesign							
48	DMR and material brokerage							
21	Consistency Consultation							
22	EPR Consultation/Workshops							
23	DRS Consultation/Workshops							
24	Land Lease Victoria Road							
25	VR site redesign							
26	Transport Ave redesign							
27	Advertising board comms							
28	Website comms							
29	Waste Composition analysis							
30	Reuse/CircEco HRRC (bikes)							
31	CircEco Hub (Design)							
32	CEOG Green Recovery							
33	Grid balancing (Land lease)							
34	Data mapping (trend analysis)							
35	Circular economy external affairs stakeholder mapping							
36	WLWA data intelligence							
37	National waste data intelligence							

Appendix 2

	Cllr	EnvDirs
Data Management	Cllr Lavery (Hillingdon)	Dipti Patel (Harrow)
Smart Cities	Cllr Sheth (Brent)	Earl Mckenzie (Ealing)
HRRRC transformation	Cllr Neden-Watts (Richmond)	Chris Whyte (Brent)
Food Waste	Cllr Costigan (Ealing)	Victoria Lawson (Hounslow)
Shared EPR funding plan	Cllr Lambert (Hounslow)	Ishbel Murray (Richmond)
Double Recycling infrastructure	Cllr Henson (Harrow)	Perry Scott (Hillingdon)

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Finance Update

SUMMARY

This report provides an update on financial and corporate matters

RECOMMENDATION(S)

The Authority is asked to: -

- 1) Note the current financial position and forecast for 2021/22
- 2) Note the 2021/22 KPI performance
- 3) Note the delegated decisions
- 4) Approve the Treasury Management Plan for 2022/23

1. Financial position – high level summary

A summary of the financial performance for the period and forecast to the end of the year is provided below:

High Level Summary

	P08 Budget £ 000s	P08 Actual £ 000s	P08 Variance £ 000s	Full Year Budget £ 000s	Full Year Forecast £ 000s	Full Year Variance £ 000s
Expenditure						
Employees	1,501	1,484	(17)	2,252	2,305	53
Premises	1,747	1,849	102	2,620	2,722	101
Waste Transfer and Disposal	33,576	31,401	(2,175)	50,363	47,109	(3,255)
MRF Waste Transfer and Disposal	1,646	1,368	(278)	2,469	2,052	(417)
Supplies and Services	646	470	(176)	968	1,034	66
Depreciation	6,160	6,160	(0)	9,240	9,240	(0)
Financing and Other	4,114	4,114	0	6,171	6,171	0
Concession Adjustment	(2,921)	(2,921)	0	(4,382)	(4,382)	0
	46,468	43,924	(2,543)	69,702	66,249	(3,452)
Income						
Levies	(43,413)	(41,432)	1,981	(65,120)	(62,148)	2,972
MRF Service Charge	(1,646)	(1,368)	278	(2,469)	(2,052)	417
Trade and Other	(1,409)	(2,041)	(633)	(2,113)	(2,522)	(409)
	(46,468)	(44,841)	1,626	(69,702)	(66,721)	2,980
(Surplus) / Deficit	0	(917)	(917)	0	(472)	(472)

The summary shows how financial performance compares to the budget for both the period and the forecast for the year.

The overall performance for period 8 (November 2021) shows a favourable variance (i.e. underspend) of £0.92 million compared to budget. The forecast surplus of £0.47 million continues to be principally reflected by unanticipated lower Waste Transport and Disposal (WTD) costs.

We continue to review the impact of the Covid-19 pandemic against performance, in particular its impact on waste flows (principally residual waste which accounts for the majority of spend) and therefore the large variances for Waste Transport and Disposal (WTD) costs and Levies. Other spending budgets remain broadly on target.

The budget also includes as it did for financial year 2020/21, the financial effects of the new dry mixed recycling (DMR) contract for Ealing. This is cost neutral for the Authority but creates further variances in the WTD costs and Trade/Other Income.

The main variances are detailed in the standard breakdown in Appendix 1 which separates out the main types of waste streams and distinguishes between PAYT and FCL activities and summarises the following.

Residual waste tonnage continues to be the main component of PAYT waste and explains a large portion of the variance against budget. The current level of tonnages for residual waste continues to be lower than budgeted (as at the end of November, residual waste collected is 4% lower than the budget). This is because the 2021/22 budget was set using borough tonnage forecasts in the midst of the pandemic at the height of waste volumes. It should be noted, that the uncertainty of forecasting was identified at budget setting and the Authority report included sensitivity analysis to help illustrate the financial impacts of higher/lower residual waste volumes.

In terms of PAYT activities, the decreased volume of household collected waste and associated costs will be mirrored by a reduction in the amount boroughs will have to pay via the PAYT levy. Through the usual quarterly reconciliation process boroughs will only pay for the waste that is disposed and will therefore see quarterly refunds of any overpaid levies. The forecast for the full financial year PAYT levy totals £49.6m against a budget of £52.6m. This reflects the refunds in levies predicted due to lower tonnages collected.

Food waste costs are £14k (6%) lower than budgeted to the end of November, due to lower tonnages collected against budget (3,000 less tonnes). However if we look at the same period of April to November in 2020-21, we can see there has been an increase of 10% in food waste collected year on year, principally Hillingdon's. We will continue to monitor food waste collection with each borough and ensure that the £500k investment provided can see food waste tonnages increase and removed from residual waste.

Year to date, green waste has seen 5,000 tonnes increase against budget, but we need to consider seasonality, and do expect a decrease over the winter months.

In terms of FCL waste, there has been lower than budgeted volumes in turn leading to decreased costs against budget. Year to date WTD costs were £428k lower than budget. The largest variance is against residual waste which makes up the main bulk of HRRC waste costs and this is £373k lower than budget (11%).

Trade waste is up by 45% against budget as at November 21, indicative that there is a continuation of more waste from businesses resuming again after the height of the Covid-19 pandemic.

Whilst the impact of the Covid-19 pandemic remains, for forecasting we have used current levels of waste collected and calculated run rates. Being two thirds in to the financial year, it is evident the budgets were produced with caution on waste levels reflecting the impact of the pandemic last year. The high volumes of waste budgeted have not materialised and we have forecasted reduced costs in areas where tonnages have not materialised.

Looking at residual waste collections (PAYT), we have looked at current levels of activity and reflected this in the remainder for the year. This has resulted in the forecast being £2.9m less than the budget.

For HRRCs (FCL), once again the main component is residual waste. The average of the last eight months has been used in forecasting. The resulting forecast shows a decrease against budget of £600k.

Waste flows will continue to be monitored throughout the year however the total of the above WTD forecasting results in an overall current WTD projected underspend of £3.26 million in the year.

We will also continue to monitor the impact of Covid-19, in line with the new government guidance of people working from home if they can. This may impact on tonnages over the coming months.

2. KPIs for 2021/22

Appendix 2 summarises the targets for the year and the performance in the year to date.

All indicators continue to be on target (green) and the performance is reflected in the RAG rating.

The internal audit for Health and Safety identified two minor recommendations to be actioned, which will be addressed by the end of March 2022.

The suite of indicators and metrics, including those reported in other meetings, will be reviewed and reported for consideration at the March Authority meeting.

3. Delegated decisions

To provide further transparency of operational arrangements, this standard section of the report summarises any significant financial decisions made since those reported to the last Authority meeting and not reported elsewhere in the agenda.

There were none.

4. Treasury Management

The plan for 2022/23 continues the low risk and very simple approach of recent years.

There are no significant capital spending plans and no plans for any new borrowing. Therefore, the focus will be on managing cash to ensure adequate liquidity for day-to-day operations whilst also using low risk options to deliver a return.

The current arrangements (a service level agreement with Ealing Council) provide both a return and quick access to cash. The arrangement also allows the Authority to tap into money market rates of Ealing Council's high rated counterparties (UK government gilts, large UK high street banks) offering a better return i.e. funds can be placed for fixed periods to achieve better returns.

The CIPFA Prudential Code prescribes a range of indicators that must be reported. These are more pertinent to organisations with complex treasury management arrangements, however are provided in the table in Appendix 3. It is worth noting that the historic capital expenditure and borrowing in relation to the construction of the Energy from Waste plant, accounts for the vast majority of the figures in this table.

Similarly the Minimum Revenue Provision (MRP) identifies that the Authority is required to pay off an element of the accumulated capital spend each year (CFR in the Prudential Code table above) through a revenue charge. The current approach uses 4% of capital, the CIPFA standard method for calculating MRP to provide for a reduction in the borrowing need over the asset's life.

The impact of treasury management activities is reflected in the Authority's long term financial plans. This illustrates a strong financial outlook and in particular: how all capital spend will be paid off through revenue charges; how the Authority will only see lower than inflation rises in costs and therefore levies; and how all borrowing will be repaid whilst maintaining good levels of liquidity – all key requirements of the CIPFA codes.

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Appendix 1

Pay As You Throw	2021-22 YTD Period 08				2021-22 Full Year Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	27,771	25,860	(1,912)	Collected waste volume is 4% less than budgeted	41,657	38,790	(2,867)	Full year forecast is based on 8 months actual and 4 months run rate
Waste - Food	232	218	(14)	Food waste tonnages collected are 3,000 tonnes less than budget YTD, but compared to the same period last year, overall tonnages have increased by 14%.	348	327	(21)	Full year forecast is based on 8 months actual and 4 months run rate
Waste - Mixed Organic	29	83	54	Hillingdon budgeted 857 tonnes of mixed organic for FY21/22, but 1,670 tonnes collected in April and May hence the overspend.	43	124	81	Full year forecast is based on 8 months actual and 4 months run rate
Waste - Green	925	972	47	5,000 tonnes more collected than budget YTD but need to take in to account seasonality so may reduce over coming months.	1,387	1,457	70	Full year forecast is based on 8 months actual and 4 months run rate
Waste - Other	291	369	78	Over 34% tonnes more than budgeted of rubble, soil and wood collected	437	554	117	Full year forecast is based on 8 months actual and 4 months run rate
Depreciation	4,748	4,748	0		7,122	7,122	0	
Financing	2,811	2,811	0		4,216	4,216	0	
Premises	860	860	0		1,289	1,289	0	
Concession Accounting Adjustment	(2,600)	(2,600)	0		(3,900)	(3,900)	0	
Levy Income	(35,066)	(33,085)	1,981	Accounted for refunds to be given back to boroughs as lower tonnages of waste collected through PAYT.	(52,599)	(49,627)	2,972	Levy rebate to reflect tonnage
PAYT Net Expenditure	0	234	234		0	351	351	
Fixed Cost Levy	2021-22 YTD Period 08				2021-22 Full Year Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	1,501	1,484	(17)	Savings of £134k YTD from vacancies not filled, but overspends on agency staff costs equate to £126k, recruitment costs come to £11k and training comes to £25k YTD.	2,252	2,305	53	
Premises	887	990	102	Booking system licence not budgeted, reactive maintenance spend at Abbey Road, and rates at Victoria Road higher than budgeted.	1,331	1,432	101	
Waste - Residual	3,393	3,021	(373)	Lower tonnages collected than budgeted.	5,090	4,531	(559)	Full year forecast is based on 8 months actual and 4 months run rate
Waste - Green	119	173	54	Higher tonnages collected than budget.	178	259	81	Full year forecast is based on 8 months actual and 4 months run rate
Waste - Wood	445	474	30	Higher tonnages collected than budget.	667	712	44	Full year forecast is based on 8 months actual and 4 months run rate
Waste - Other	371	232	(139)	Lower tonnages collected than budgeted.	557	356	(201)	Full year forecast is based on 8 months actual and 4 months run rate
Waste - MRF	1,646	1,368	(278)		2,469	2,052	(417)	Full year forecast is based on 8 months actual and 4 months run rate
Supplies and Services	646	470	(176)	£211k savings made YTD on consultant fees.	968	1,034	66	
Depreciation	1,412	1,412	(0)		2,118	2,118	(0)	
Financing	676	676	0		1,014	1,014	0	
Revenue Funding of Debt	627	627	0		941	941	0	
Concession Accounting Adjustment	(322)	(322)	0		(482)	(482)	0	
Trade Waste and Other Income	(1,409)	(2,041)	(633)		(2,113)	(2,522)	(409)	
MRF Income	(1,646)	(1,368)	278		(2,469)	(2,052)	417	Full year forecast is based on 8 months actual and 4 months run rate
Levy Income	(8,347)	(8,347)	0		(12,521)	(12,521)	(0)	
Fixed Cost Levy Net Expenditure	0	(1,151)	(1,151)		0	(823)	(823)	
(Surplus) / Deficit	0	(917)	(917)		0	(472)	(472)	

Appendix 2

Key Performance Indicators 21/22								Cumulative	
KPI	19/20 Actual	20/21 Actual	21/22 Target	Red Threshold	Description	Commentary about target	Nov-21	Commentary about performance	
Keep Waste Moving									
1	Diversion from Landfill %	97.9%	98.9%	96.1%	< 95% = Red	Percentage of residual waste collected in month sent to landfill (shows the tonnes of waste Suez have sent to landfill and the cumulative collected asbestos waste collected at Abbey Road).	contractual target 3.9% max to landfill	99.9%	
2	Turnaround times (% above 25 minutes) for borough vehicles	3.4%	4.2%	4.5%	> 5% = Red	Average vehicle turnaround times - taking waste to Transport Avenue, Victoria Road and Abbey Road. Total waste loads (cumulative) and over 25 mins in the month.	close to performance during pandemic	1.4%	
Increase Efficiency									
3	Overall £/tonne	88.29	88.12	88.87	> £93.31 (i.e. +5%) = Red	Looks at total tonnes collected cumulatively and the total spend of waste transfer and disposal.	reflects boroughs budgeted tonnages and 19/20 and 20/21 are indexed	£83.99	
4	Overall £/person	26.05	28.89	30.83	> £32.40 (i.e. +5%) = Red	Total spend of waste transfer and disposal divided by total population of 6 boroughs (provided from ONS website).	reflects boroughs budgeted tonnages and 19/20 and 20/21 are indexed	£28.68	
Divert From Waste									
5	All waste - monthly kg per person	25.73	27.76	28.91	> 30 kg = Red	Total cumulative waste collected divided by population (taken from ONS website).	reflects boroughs budgeted tonnages	28.46	
6	Residual waste - monthly kg per person	20.32	20.28	21.63	> 22 kg = Red	Total cumulative residual waste collected divided by population (taken from ONS website).	reflects boroughs budgeted tonnages	21.17	
Effective Control									
7	People development	82	105	350	< 315 = Red	Total number of learning and development activities carried out in financial year (amongst total employees).	more granular metric reflecting aspirational 10 l&d events per person. But 19/20 and 20/21 reflect days	0	
8	Staff turnover	22%	13%	15%	> 20% = Red	Cumulative leavers YTD against total budgeted staff.	maintain level	0.0%	
9	Sickness absence rate	1.6%	0.5%	2.0%	> 3% = Red	Cumulative sick days lost year to date.	more typical level	2.3%	
10	Paying suppliers promptly (days to pay)	29	24	30	> 32 days = Red	Average number of days to pay suppliers in the month.	statutory level	23	
11	Minimising trade debt (% of non levy income)	7%	4%	8%	> 10% = Red	Debt at end of period - excluding borough debt.	level reflects 1 month debt - only 1 instance of non recovery in last 6 years. Really just timing difference.	0.4%	
12	RIDDOR incidents at Abbey Road	1	0	0	> 1 = Red		maintain level	0.00	
13	Average monthly safety observations and closeout actions	10	5	10	> 15 = Red		maintain level	6	There were a total of 8 hazard cards completed. Due to the date that some of the hazard cards were completed, whilst they were initially raised in October, that have been grouped in with November Statistics, as the full hazard card process was not completed until November. The majority of the hazard cards completed referred to an unsafe condition as a result of items not being placed in there relevant containers (i.e. gas bottles left outside of gas cage, chemical left outside of chemical store etc), with the remainder being in respect of broken glass, staff nearly slipping on grease and broken bars on site. There were no traffic related incidents during this period.
14	Number of audit actions or recommendations overdue	0	1	0	> 2 = Red		maintain level	2	2 recommendations for H&S audit - regular staff health screening and tests (inc. drug and alcohol random testing). Second recommendation was regular checks on drivers records - deadline is March 22.

Appendix 3

Prudential Indicator	Prudential code	Description	2021/22 Estimate £000s	2022/23 Estimate £000s	2023/24 Estimate £000s
Ratio of financing costs to net revenue stream	73/74	This is an indicator of affordability of plans	8%	8%	8%
Capital expenditure	48/50	This is a summary of the capital spending plans	1,044	2,456	2,000
Capital financing requirement (CFR)	51/54	This is the underlying borrowing need i.e. what will be charged through revenue	205,020	197,667	189,858
Operational boundary for external debt	56	This is a projection of net debt (i.e. after cash) supporting the capital financing requirement	183,440	168,965	156,171
Authorised limit for external debt	55	This is the net debt (i.e. after cash) limit	193,440	178,965	166,171
Gross debt	60/62	This reflects the amount of gross debt and should be less than the CFR	201,942	195,118	188,064

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