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West London Waste Authority

A meeting of the West London Waste Authority will be held in Meeting Room 3, Fourth Floor - Harrow Council Hub on Friday 20 January 2023 at 11.00 am

Membership

Councillor Deirdre Costigan, London Borough of Ealing
Councillor Katherine Dunne, London Borough of Hounslow
Councillor Eddie Lavery, London Borough of Hillingdon
Councillor Anjana Patel, London Borough of Harrow
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 2 December 2022 (Pages 3 - 8)
4. 2023/2024 Budget Update (Pages 9 - 34)
5. Contracts and Operations Update (Pages 35 - 40)
6. Communications Programme Update (Pages 41 - 46)
7. Finance Update (Pages 47 - 52)

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

Nil

Useful Information

Joining the Meeting virtually

The meeting is open to the public and can be viewed online at [London Borough of Harrow webcasts](#)

Attending the Meeting in person

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You can access the agenda online at [Browse meetings - West London Waste Authority](#)

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The Authority asks that you avoid recording members of the audience who are not participants at the meeting. The Authority will seek to facilitate this. However, anyone attending a public meeting does so in the knowledge that recording may take place and that they may be part of that record.

Hugh Peart
Clerk to the Authority

At a meeting of the West London Waste Authority held on Friday 2 December 2022 at 10.00 am at the Meeting Room 4, First Floor - Harrow Council Hub, Forward Drive, Harrow.

Present:

Councillor Deirdre Costigan, Councillor Katherine Dunne, Councillor Eddie Lavery, Councillor Anjana Patel, Councillor Krupa Sheth and Councillor Julia Neden Watts

28. Apologies for absence

There were no apologies for absence.

29. Declarations of interest

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

30. Minutes of the meeting held on 23 September 2022

Members noted that Councillor Guy Lambert had been absent and unable to submit his apologies for the previous meeting due to ill health. Councillor Katherine Dunne had been appointed as Hounslow's representative on the Authority in his place.

RESOLVED: That the minutes of the meeting held on 23 September be taken as read and signed as a correct record.

31. WLWA Business Plan

Members received a report which provided an update of the Authority's Business Plan for 2022/23.

Emma Beal, Managing Director, outlined the content of the report and drew attention to the Environment Directors' priorities which were in line with the Authority's Business Plan. She advised that there were a significant number of risks facing the waste and recycling industry and it was difficult to move forward without the responses to government consultations, including the emissions trading scheme which had the potential to increase costs.

In terms of food waste, a Member sought reassurance that there was sufficient capacity within the food recycling plant to deal with the food waste removed from residual waste. Tom Beagan, Head of Service Delivery advised that there was capacity at the site and that the contract had been let in that way so that the service could be expanded.

RESOLVED: That

- (1) Boroughs be requested to communicate to residents the urgency and importance of using the food waste recycling systems;

- (2) it be noted that the updated risk register would be reported to the Audit Committee in January 2022;
- (3) Environment Directors and Finance Directors be requested to include the potential West London Waste Authority savings for consideration during Borough budget setting processes.

32. 2023/24 Budget

Members received a report which set out the 2023/24 budget proposal for consultation with the boroughs.

Jay Patel, Finance Director, outlined the background to the budget and advised that the biggest driver of spend was activity levels related to waste transport and disposal so the Authority had little control. Officers did work with boroughs to reduce spend in these areas which were in the boroughs control. The budget report set out the framework for the following financial year and the borough Finance Directors would be requested to submit their comments on it by 5 January 2023 after which the final budget would be submitted to Members.

The Finance Director advised that there were three key messages:-

- Officers have been responding to feedback from boroughs around the financial challenges they were facing. The Authority was expecting to receive income from the residual waste services contract and proposed to pay boroughs approximately £1m each to assist with their finances and enable Finance Directors to plan and give more predictability to their budgets;
- The budget was being set in the context of inflation running over 10% which was challenging as a contracting authority. Work to manage the costs was being undertaken.
- The programme of work that the Authority was looking to undertake in 2023/24 would directly benefit borough budgets and carbon footprint.

The Finance Director advised that the emphasis in the long term was to reduce the residual waste volume.

In terms of contracts and the cost of living crisis, a Member asked whether contractors were putting pressure on for renegotiation of contracts and was advised that the Authority was well mitigated against this.

Members requested an update in terms of what had changed within the budget since the budget challenge panel meeting noting that growth appeared to have reduced. The Finance Director responded that the key change was the commitment to the early payment of approximately £1m to each borough. This was welcomed by the Members given Councils' budget situations and it was noted that there would potentially be another disbursement at the end of the year. The volatility of electricity prices was however a concern in terms of the reserves position. The electricity generation levy, a tax on energy from waste, was another factor. The Finance Director also noted that there had been a significant reduction in the waste budget since the challenge session and minor reductions in other budgets. The Managing Director confirmed that lobbying by Waste Network Chairs, NAWDO and ADEPT was being undertaken to ensure that local authorities were not accidentally disadvantaged for investing in waste disposal and she undertook to take on board the comment that the Authority should write to the government on this issue.

RESOLVED: That (1) the 2023/24 budget for consultation be noted;

- (2) the programme of work to be met from the PPP (that is, electricity) income be noted
- (3) the Pay As You Throw (PAYT) rates in section 15 of the report and the PAYT levy made up of two components totalling of £53.1 million be noted;
- (4) the Fixed Cost Levy (FCL) of £14.0 million in section 16 of the report be noted;
- (5) the recommended trade and construction prices in section 17 of the report and delegated authority to the Finance Director to change these in year should the need arise be noted;
- (6) the anticipated PPP income and payment to boroughs of approximately £1.0 million per borough in July 2023 of their share of PPP income 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 £10.3 million to act as a buffer for managing risks (including the risk around the level of PPP income), as set out in section 19 of the report, be noted;
- (9) the Medium and Long Term Financial Plan set out in section 20 of the report be noted.

33. Projects 2023/24 Introduction

Members received a report which provided an introduction to the proposed Authority programmes for 2023/24.

Peter Tilston, Project Director, outlined the content of the report and explained that the three projects, Digital Twin, Social Value and Reuse and Communications, were designed to deliver savings and flowed from the six project areas and crossed a number of budgets.

Members welcomed the report and the projects planned.

RESOLVED: That

- (1) the initiation of the West London Waste Authority projects 2023/24 before April 2023 be approved;
- (2) the report be noted.

34. Food Project Update

Members received a report which provided an update on the West London Waste Authority investment in borough food waste projects.

Peter Tilston, Projects Director, reported that the food project was ongoing alongside the three programmes outlined in the previous item. Overall food waste remained the largest proportion of the Authority's residual waste and that food waste could be diverted to a different system at a lower cost. There continued to be a saving arising from the

food waste service. The waste composition analysis was quite detailed and enabled officers to look at where and how the service was being used.

A Member spoke about the reduce and recycle messages in relation to food waste and the opportunity due to rises in food prices. Residents could be assisted in spending less on food, wasting less food and also reducing the amount of food in residual waste. Members noted that this was a key message that the Authority had been communicating and that once residents realised how much food they were wasting they did not then buy it. This saved money and was a key principle of the food waste system.

A Member expressed the view that avoidable food waste such as out of date food still in the packaging, was more likely to be put into residual waste than unavoidable food waste. The Projects Director advised that communications around this topic were adapted accordingly and that the breakdown of avoidable and unavoidable food waste had been shared with boroughs.

Members discussed the messaging currently being undertaken in boroughs and it was suggested that a communication, prepared by the officers to be used by boroughs, could be helpful recognising that residents were facing a cost of living crisis and this could potentially help save money. Members also requested that details of communications undertaken in boroughs be shared. Victoria Lawson, Technical Adviser, advised that she and her counterpart from Brent were going to have discussions with the West London Communications Group about powerful collective messaging in relation to food waste.

Members discussed the channels that were used for communications on food waste such as twitter and facebook and whether they were effective and acknowledged that most younger people used the social media platforms Tik Tok and Instagram.

RESOLVED: That the report be noted.

35. Contracts and Operations Update

Members received a report which provided an update on the Authority's waste treatment arrangements and procurements.

Tom Beagan, Head of Service Delivery, in introducing the report advised that there had been an incident at the London composting site in that a tyre had exploded and resulted in two workers suffering severe leg injuries that would require surgery. The incident was being investigated.

The Head of Service Delivery provided an update in terms of the residual waste contract, key performance indicators, rail strikes and contingency plans.

RESOLVED: That the report be noted and the Members best wishes be conveyed to the two injured workers.

36. Health and Safety: Annual Review of Performance in 2022 and the Plans for 2023

Members received a report which reviewed the Authority's Health and Safety arrangements for the calendar year 2022 and presented the Health and Safety Plan for 2023.

RESOLVED: That the Annual Health and Safety Performance Review 2022 and Action Plan for 2023, as set out in Appendix 1 of the report, be noted.

37. Finance Update October 2022

Jay Patel, Finance Director, introduced the report which provided an update on financial and operational matters.

A Member commented that there appeared to be a favourable variance in relation to trade waste and was advised that the closure of a nearby site had had an impact resulting in additional income. In terms of the booking system, Emma Beal, Managing Director, explained that it had enabled a smooth flow of residents and therefore Trades persons could navigate the site more quickly thereby enabling them to do more jobs.

Members welcomed the best practice at the Abbey Road site.

RESOLVED: That the current financial position and forecast for 2022/23, the Key Performance Indicators to date and delegated decisions be noted.

The meeting finished at 11.08 am.

The minute taker at this meeting was Alison Atherton.

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2023/24 Budget

SUMMARY

This report sets out the 2023/24 budget proposal and the key points are as follows:

- The Authority is budgeting to pay boroughs PPP income (i.e. electricity) totalling £6.3 million in July 2023.
- Costs and levies growth is contained to 1.8% (£2.6 million) in context of inflation running in excess of 10%.
- A programme of work totalling £2.8m over 3 years (£1.1. million in 2023/24) is to be funded from the Authority's share of PPP income and will deliver carbon and financial savings directly to boroughs

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Approve the 2023/24 budget
- 2) Approve the budget for work to be met from PPP income
- 3) Approve the Pay As You Throw (PAYT) rates in section 15 and the PAYT levy made up of two components totalling of £53.1 million
- 4) Approve the Fixed Cost Levy (FCL) of £14.0 million in section 16
- 5) Approve the recommended trade and construction prices in section 17 and delegated authority to the Finance Director to change these in year should the need arise
- 6) Approve payment of PPP income totalling £6.3 million to boroughs in July 2023 shared in accordance with the Finance Strategy.
- 7) Approve the new proposed capital budgets in section 18
- 8) Approve the target level of reserves of £10.3 million to act as a buffer for managing risks (including the risk around the level of PPP income), in section 19
- 9) Note the Medium and Long Term Financial Plan key messages in section 20

1. Introduction

1.1 The 2023-24 draft budget was considered in detail at the Authority meeting in December and was shared/presented to meetings of the West London Environment Directors and West London Treasurers. The borough Finance Directors were also asked to provide a formal response to the budget proposals.

- 1.2 No changes have subsequently been made to the 2023-24 draft budget which is as reported in December and the report which follows is almost the same as December's report but with updates for:
- Use of the latest 2022-23 forecast in the table in section 2
 - Formal feedback from borough Finance Directors (section 21 and appendix 2)

2. Executive Summary

- 2.1 This year amidst greater economic uncertainty and financial challenge, the 2023/24 budget proposal takes a step further in the Authority's approach to providing boroughs with greater stability and better predictability (a key theme identified in the Finance Strategy).
- 2.2 The 2023/24 budget anticipates PPP income and proposes to pay boroughs £6.3 million in July 2023 apportioned using the final approved council tax base (i.e. approx. £1 million each).
- 2.3 Previously, sharing income in this way has only taken place after income has been received. Budgeting for the payment of £6.3 million will therefore require the Authority to manage the risk of lower than anticipated income (e.g. due to low electricity prices, actual impact of windfall taxes) by using its reserves.
- 2.4 Most of the Authority's spending relates to borough activity levels which are met/served through contracts. So the key drivers of costs and therefore levies are the boroughs' own forecast activity levels and the contractual inflation.
- 2.5 For 2023/24 the rise in overall costs and therefore levies has been contained at 1.8% or £2.6 million. This is in context of inflationary forecasts of 10.6% (HM Treasury) for price rises next April. This year's high inflationary impact has been partly offset by lower budgeted borough activity levels.
- 2.6 The key long term mitigation of spend and therefore levies is managing the wasteflows. These are largely within the control of boroughs so the budget also identifies 3 new key programmes of work to be met from the Authority's share of PPP income already received. £1.1 million is budgeted to be invested in this work in 2023/24.
- 2.7 The programmes of work will identify interventions where boroughs will see the benefits in their own budgets - essentially spend (Authority) to save (boroughs) programmes. For example the existing programme of removing food waste from residual waste streams so more residents use the food waste services already there. These programmes of work will be developed and agreed with stakeholders in due course.
- 2.8 The potential value of programmes of similar work across West London using an analysis from 2019 as the basis, shows the change required and the potential savings on offer of millions of pounds per year across all constituent boroughs. A more detailed and up to date analysis of this work will be undertaken over coming months as we develop the joint waste strategy. Nevertheless, it is clear that the sums/opportunity is significant, as is the challenge.
- 2.9 The table over the page sets out the 2023/24 budget and the movement from the 2022/23 budget. The latest 2022/23 forecast is also included to provide context and illustrate the current level of activity. The spend lines have also been split out to separate the spend from

business as usual activities and those from the programme of work funded by PPP income, providing better transparency.

	2022-23 budget £ 000's	2022-23 forecast £ 000's	2023-24 budget £ 000's	Changes in budgets £ 000's
Business As Usual Costs				
WTD - Waste Transport and Disposal	49,558	48,270	51,531	1,973
Funding of HRRC project	1,200	1,200	0	(1,200)
Depreciation	9,809	10,469	10,375	566
Financing Cost	5,105	5,094	4,971	(134)
Premises	2,672	2,490	2,603	(69)
Employees	2,516	2,646	2,617	101
Supplies and Services	1,198	1,090	1,187	(11)
MRF Service Costs	2,148	2,025	2,256	108
Revenue Funding of Debt	962	962	984	22
Concession Accounting Adjustments	(4,473)	(4,473)	(4,570)	(97)
BAU costs	70,695	69,773	71,954	1,259

Programme of work funded by PPP income				
Depreciation	0	0	107	107
Premises	0	0	45	45
Employees	132	98	308	176
Supplies and Services	0	0	660	660
Programme costs	132	98	1,120	998

Total costs	70,827	69,871	73,074	2,247
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Income				
Levies	64,551	63,604	67,116	2,565
MRF service income	2,148	2,025	2,256	108
Other Income	2,128	3,199	2,582	454
PPP one off benefit	2,000	9,450	0	(2,000)
Programme costs funded by PPP income	0	0	1,120	1,120
Total income	70,827	78,278	73,074	2,247

Total (surplus)/deficit	0	(8,405)	0	0
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PPP income disbursed to boroughs	0	7,100	6,300	6,300
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2.10 Otherwise the budget headings are per our usual format for regular budget monitoring reports and accounting categories. The most notable movements relate to the growth in waste transport and disposal costs and levies, the removal of one off items from the previous year, the inclusion of PPP income payable to boroughs and the funding of 3 programmes of work.

2.11 Note that the MRF activities have a neutral effect with costs being passed through to Ealing for the services provided.

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

3. Programme of work funded by PPP income

3.1 The Finance Strategy approved in September identified that two thirds of PPP income would be passed through to boroughs and one third of PPP income would be set aside for Authority Strategic projects.

3.2 On this basis for the Authority's share of PPP income, 3 programmes of work have been identified:

- Digital Twin – to decarbonise collection services and find immediate cost savings for boroughs
- Social Value and Reuse – to decarbonise HRRC services and create social value
- Communications – To better inform residents of complex recycling challenges and inform boroughs of recycling opportunities

Brief summaries follow. The programmes will be developed with borough colleagues and reported to stakeholders for approval in due course.

3.3 Digital Twin - The objective is to create a digital twin of on the ground waste and recycling services and achieve rapid decarbonisation and cost savings for Boroughs through data led efficiency savings. The programme will be evaluated over 3 years, cost £855,000 which will be fully covered by in Borough savings during the period and will identify future annual costs and savings in the next steps.

Year 1 and 2 Deliverables:

- a) A digital version of the kerbside services, communal services, street cleansing routes and trade services for all 6 west London boroughs.
- b) Integration of data eg tonnages, carbon, demographics for these services into our reporting systems in Power BI and the self-service platform so real time data is available to boroughs.
- c) ANPR integration at HRRC sites.
- d) Collection of new data to enable better understanding of capture and participation in services.
- e) Route optimisation of existing services across Harrow and Hounslow.
- f) Creation of user-friendly data sets that can be used to model all the data requirements for the proposed EPR system and to underpin the procurement of new contracts to recycle and transport a wider range of materials.
- g) Development of links with planning data and permits for waste sites to better understand capacity and impact of new developments on service provision.

3.4 Social Value and Reuse - The objective is to increase separation of materials, innovate new handling and storage methods to retain the value of the item not just the material it is made from. The aim is to deliver immediate changes to existing infrastructure and measure the social and financial value of circular economy projects. We will test our ability to invest directly into borough sites not owned by WLWA and measure the co-benefits of efficiencies. The programme will test service resilience to change

The Authority have created this opportunity with a combination of several projects at Abbey Road and working closely with operatives at Townmead Road. They have invested in solar panels, created the fixing factory, built a circular economy relationship with Petit Miracles, extracted bicycles, children's toys and NHS equipment from waste and recirculated it creating social value. Most Boroughs have identified similar circular economy projects This programme starts to pull the whole system together to scale up and create additional value with a hub and spoke model

3.5 Communications - The objective is to test citizen knowledge and attitudes to recycling services. It will create content to provide more and better information on some of the more complex issues and test knowledge and attitudes again at the end. Recycling, reuse, social value and waste data will also be used to evaluate the work. Food waste recycling is the service that most citizens don't use. Persuading every household to recycle food waste will reduce waste, reduce cost, increase recycling and contribute to global and UK decarbonisation. It will result in cost savings for citizens, Boroughs and WLWA. Cost savings for WLWA and Boroughs means more money available to invest in other recycling services. We want to normalise food waste recycling and ban food waste from the bin. Similarly this programme of work will also look at plastics, textiles, electricals / batteries, reuse / social value and dry mixed recycling.

3.6 The above provides an outline of the 3 programmes of work. The programme spending totalling £2.8 million is to be met from the WLWA share of PPP income already received and will run over three years delivering both financial and carbon benefits directly to boroughs.

4. Waste Transport & Disposal (WTD)

3.1 The WTD budget accounts for the majority of the entire WLWA budget and makes up 72% of the spending. Strategically, this is where most of the significant saving opportunities can be found.

3.2 The 2023/24 WTD budget is £51.5 million, an increase of £1.9 million.

3.3 The residual waste budget is the key driver and represents 80% of the WTD costs (or 58% of all Authority costs – hence the strategic significance). For 2023/24 this is based on boroughs' forecasts of residual waste which are 3.7% lower than the 2022/23 budget and reflecting the current level of activity.

3.4 Looking at the complete picture, the 2023/24 budgeted tonnage is made up of the following materials:

Material	2022/23 Budget Tonnes	2023/24 Budget Tonnes	Change
Residual	433,711	417,757	(15,954)
Green	53,610	45,799	(7,811)
Wood	17,694	16,121	(1,573)
Kitchen	39,300	32,616	(6,684)
Other	11,849	4,745	(7,104)
Budgeted tonnages	556,164	517,038	(39,126)

3.5 No significant service changes were identified by boroughs. Borough forecast volumes are lower than last year's budget setting exercise but in overall terms show a small growth on current activity levels.

- 3.6 To calculate the budgeted spend, RPIX of 10.6% (a mid-range forecast from HM treasury) has been applied to contractor prices where there is a contractual indexation requirement. Published forecasts including HM Treasury range from 7.8% to 12.6% with Septembers RPIX standing at 12.6%.
- 3.7 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.
- 3.8 Where other contracts are due for procurement, procuring managers have used best available market information to estimate rates for the coming year.

5. Depreciation

- 4.1 The depreciation budgets for 2023/24 of £10.5 million is £0.7 million higher than in 2022/23. This reflects property asset valuations undertaken for the 2021/22 accounts and agreed with auditors for the accounts and capital additions.
- 4.2 The largest element of depreciation relates to the SERC (Sevenside Energy Recovery Centre) and totals £8.8 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.
- 4.3 Depreciation for the remaining assets have been calculated using valuations agreed with auditors and subsequent change in the asset registers (i.e. additions and disposals).

6. Financing

- 5.1 The financing costs reflect the interest paid on loans. These have reduced from £5.1 million in 2022/23 to £5.0 million for 2023/24 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.
- 5.2 The largest component of financing costs relates to borrowing from boroughs for the construction of the SERC and totals £4.5 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%.
- 5.3 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 overall premises budgets for 2023/24 of £2.6 million are slightly lower than 2022/23 reflecting the challenge to Authority's managers to identify savings.
- 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 £1.3 million and transfer stations £0.8 million.

8. Employees

8.1 The 2023/24 employee budgets of £2.9 million is £0.3 million higher than the 2022/23 level. This growth relates principally to programme resources (3 FTE) and wage inflation (3%) which is partly offset by savings from a reduction in the business as usual establishment.

8.2 The 2023/24 establishment of 42.7 full time equivalent (FTE) posts is an increase of 2.6 from the previous year. Putting this into context the Authority employed 42 FTE in 2014/15 and over many years FTE numbers have subsequently stayed close to 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 notional breakdown of the establishment by area of activity and whether business as usual (BAU) or programme work is provided below:

BAU Activity	2022/23	2023/24	Change
Contracts/Operations	19.0	19.0	0
Corporate Services	9.1	9.7	0.6
Projects	9.0	8.0	(1.0)
Total	37.1	36.7	(0.4)

Programme Activity	2022/23	2023/24	Change
Contracts/Operations	1.0	1.0	0
Corporate Services	1.0	2.0	1.0
Projects	1.0	3.0	2.0
Total	3.0	6.0	3.0

Total FTE	40.1	42.7	2.6
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9. Supplies & Services

9.1 The 2023/24 overall budgets for Supplies & Services is £1.8 million up by £0.6 million from 2022/23. With a focus on savings managers have slightly reduced business as usual spending. The growth relates to programme spending which is to be met from PPP income.

9.2 A wide variety of spends make up this total including £0.7 million for the programme of work in section 3.

9.3 Other notable items include spending for professional services, 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 2023/24. This is marginally higher (£20,000) than 2022/23 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 2023/24 they total £4.6 million, compared to £4.5 million in 2022/23. This accounting adjustment reduces overall costs and levies.

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 a managers' challenge session with the Senior Leadership 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 2023/24 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	64,551
Growth	5,094
Savings	(2,673)
Other movements	144
Budgeted costs/levies 2022/23	67,116

12.5 Growth table:

Area	Explanation	Growth £ 000's
Waste Transport and Disposal	Increased contract costs resulting from inflation for residual waste (£3,116,000), haulage (£225,000), increase in wood (£356,000), increase in rubble volumes (£264,000) and a range of movements in other materials spends (£151,000)	4,112
Premises	New automatic number plate recognition for the smart cities work (£45,000)	45
Employees	2.6 FTE increase in establishment (£151,000), salary inflation 3% (89,000) and other minor movements (£37,000)	277
Supplies and Services	Digital twin, reuse and communications advice and services (£660,000)	660
		5,094

12.6 Savings table:

Area	Explanation	Saving £ 000's
Waste Transport and Disposal	Reduction in residual volumes (£1,612,000), reduction in mattress volumes (£257,000) and better pricing achieved from procurement of green waste (£270,000)	(2,139)

Premises	Reduction in SERC related premises costs (£69,000)	(69)
Supplies and Services	Stripping out of unspent minor budgets (£11,000)	(11)
Other Income	Growth in trade income (£400,000), sale of recyclables (£40,000) and other minor improvements (£14,000)	(454)
		(2,673)

12.7 Other movements table:

Area	Explanation	Increase / (Decrease) £ 000's
Depreciation	Reflecting property valuations agreed with auditors for the last accounts	673
Financing Costs	Reflecting reducing interest in repayment loans for SERC with boroughs	(134)
Revenue Funding of Debt	Reflecting rising repayment of principal in repayment loan for sites with PWLB	22
Concession Accounting Adjustment	Reflecting adjustments agreed with auditors for the last accounts	(97)
PPP Income / HRRC funding	2022/23 one off item superseded by Finance Strategy methodology for sharing PPP income	800
Programme work funded by PPP income	Funding of strategic projects per Finance Strategy	(1,120)
		144

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)	2022/23 £000's	2023/24 £000's	Change £000's
Waste Transport and Disposal	41,894	43,986	2,092
PAYT Levy (disposal)	(41,894)	(43,986)	(2,092)
Total	0	0	0

PAYT (SERC cost)	2022/23 £000's	2023/24 £000's	Change £000's
Depreciation (SERC)	7,204	7,934	730
Financing Costs (SERC)	3,976	4,070	94
Premises (SERC)	1,194	1,210	16
Concession Accounting Adjustment (SERC)	(3,838)	(4,114)	(276)
PAYT Levy (SERC)	(8,536)	(9,100)	(564)
Total	0	0	0

FCL	2022/23 £000's	2023/24 £000's	Change £000's
Waste Transport and Disposal	7,664	7,545	(119)
Employees	2,648	2,925	277
Premises	1,478	1,438	(40)
Supplies and Services	1,198	1,847	649
Depreciation	2,605	2,548	(57)
Financing	1,129	901	(228)
Revenue funding of Debt	962	984	22
Concession Accounting Adjustment	(635)	(456)	178
Non Levy Income	(2,128)	(2,582)	(454)
PPP one off benefit / HRRC funding	(800)	0	800
PPP Income funding programme of work	0	(1,120)	(1,120)
FCL Levy	(14,122)	(14,030)	92
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 £53.1 million (from the tables above £44.0 million plus £9.1 million).

15.2 The table below shows the proposed disposal rates for waste in 2023/24.

Material (Disposal)	2022/23 £ per tonne	2023/24 £ per tonne
Residual	101.09	109.76
Gully	57.31	67.31
Food	9.98	11.61
Green	40.00	40.94
Wood	43.54	67.67
Rubble	45.08	32.63
Soil	46.35	32.63
Mattresses (per mattress)	4.40	5.46

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 are provided below.

Material (Transport)	2022/23 £ per tonne	2023/24 £ per tonne
Residual (collected)	11.26	12.22
Other recyclables (collected)	15.34	18.63

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 are the PAYT rates payable by boroughs in order to recover costs.

15.5 These rates are applied to the 2023/24 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.

15.6 Using tonnage forecasts from boroughs, the PAYT charges for 2023/24 are as follows:

Borough	2022/23 PAYT disposal charge £000's	2023/24 PAYT disposal charge £000's	Increase / (decrease) £000's
Brent	7,790	8,008	218
Ealing	8,159	8,920	761
Harrow	6,130	6,486	356
Hillingdon	8,169	8,583	414
Hounslow	6,799	7,048	249
Richmond	4,847	4,941	94
Total	41,894	43,986	2,092

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

15.8 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.

15.9 The second, PAYT (SERC) component relates to the £9.1 million SERC cost, equivalent to £24.43 per tonne (2022/23: £23.14). This will initially be apportioned and levied on the basis of 2023/24 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	2022/23 PAYT SERC charge £000's	2023/24 PAYT SERC charge £000's	Growth £000's
Brent	1,646	1,710	64
Ealing	1,738	1,929	191
Harrow	1,239	1,342	103
Hillingdon	1,530	1,678	148
Hounslow	1,382	1,445	63
Richmond	1,001	996	(5)
Total	8,536	9,100	564

15.10 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	2022/23 FCL charge £000's	Estimated 2022/23 Council Tax base	2023/24 FCL charge £000's	Change £000's
Brent	2,432	99,868	2,381	(51)
Ealing	2,589	118,649	2,829	240
Harrow	2,205	90,597	2,160	(45)
Hillingdon	2,503	103,840	2,476	(27)
Hounslow	2,174	86,769	2,069	(105)
Richmond	2,220	88,703	2,115	(105)
Total	14,123	588,426	14,030	93

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

17.1 The 2023/24 budget is £2.5 million, which is a £0.4 million improvement on 2022/23 and reflect activity at slightly less than current levels to allow for some loss in revenue due to the economic circumstances.

17.2 The majority of the income is from trade waste (£1.9 million). The proposed main trade and construction charges per tonne at Abbey Road are unchanged to remain competitive and are provided below.

Type of waste	2022/23 £	2023/24 £
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 Finance Director 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 July 2023 the PPP contractor will pay the Authority its share of income in relation to the PPP contract, principally electricity generation income.

17.6 At this stage, estimation of the sum due is inherent with market risks (electricity prices are volatile), political risks (detailed working of the windfall tax) and economic risks (the impact of industrial action on the power production). Nevertheless, it is likely that the Authority will see significant income (£9.4 million) if we assume ongoing electricity production and prices at the current levels and the introduction of a windfall tax.

17.7 On this basis the estimated distribution to boroughs on receipt of funds from the contractor will be in the region of £1 million each. This represents the two thirds pass through to boroughs of the estimated PPP income (in accordance with the Finance Strategy) which will be apportioned to each borough using the final approved council tax base.

17.8 The Authority is mindful of the challenging local authority finances so to help boroughs to budget for this income with greater certainty, the Authority is committing (through this budget) to the distribution and will utilise its reserves to manage the risks (section 19) of non-receipt on PPP income or receipts being lower than estimated. Any additional PPP income received will also be shared in accordance with the Finance Strategy.

18. Capital

18.1 The new capital budget requirements for 2023/24 are listed below:

- Victoria Road food and bulking shed £800,000
- West Drayton heating system improvements and window replacement (£150,000) to improve energy efficiency
- Abbey Road improvements (£122,000) including weighbridge scales, electric man gates, replacement netting, heating improvements, improvements to toilet and shower facilities.
- Upgrades to waste data management system (£80,000) and finance system (£20,000)

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 (£477,000) including CCTV fire & ANPR systems, 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
- £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)
- 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 2023/24 the proposal for reserves is cautious given the economic climate and continuing uncertainties resulting from the pandemic.

19.4 Considering reserves in overall terms, identifying known material 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)	Reserves to set aside (high 100, medium 75%, low 50%)
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 anticipated	Use of reputable forecasts e.g. HM Treasury	High	£2,500 (representing approx. 5% of WTD costs)	£2,500

indexation/inflation, particularly the impact of utility prices and driver shortages on prices.				
Increased regulation of emissions from energy from waste facilities requiring one off installation of equipment	Contract terms	High	£2,000	£2,000
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	£1,600 (based on residual FCL tonnages at 20% in excess of budgeted levels)	£1,200
Industrial action creating site and wasteflow disruption including	Contract terms, contractor business continuity plans and contingency arrangements, insurances	Medium	£950 representing 1 day per month disruption for 12 months effecting 650 tonnes of recycling per day needing to be sent to EfW @£110 disposal and £12 haulage	£710
The PPP income to pay to boroughs does not materialise e.g. electricity prices don't remain high and windfall tax	Contract terms	Low	£6,300	£3,150
Costs arising 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	Low	£1,000 (based on experience of contractual issues)	£500
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	Ongoing monitoring of trade income and maintaining competitive pricing position in	Low	£500 (representing 20% of trade income)	£250

pricing	market place			
Target level for reserves to manage risks				£10,310

19.5 The target level of reserves for 2023/24 is £10.3 million and relates to the immediate risks relevant to 2023/24 year's activities. This compares to £9.2 million of risks in 2022/23. The main changes relate to the removal of longer term risks, updating of the PPP income risk and the inclusion of mitigations for emissions risk.

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 and that nothing is being set aside for longer term risks, the proposed level represents a prudent and not overly cautious target for reserves for 2023/24 activities.

19.7 The forecast reserve position for the year ending 31 March 2024 is:

	Reserves to manage risks £000's	PPP Income £000s	Total Reserves £000s
Total Reserves 31 March 2022	64,446	3,550	67,996
Less Revaluation Reserve (artificial gain/not realisable)	(52,732)	0	(52,732)
Reserves 31 March 2022	11,714	3,550	15,264
Forecast surplus 2022/23	8,405	0	8,405
PPP income share for boroughs	(6,300)	0	(6,300)
PPP income share for WLWA	(3,150)	3,150	0
Reserves 31 March 2023	10,669	6,700	17,369
PPP income committed for WLWA programme of work	0	(2,800)	(2,800)
Forecast surplus 2023/24	0	0	0
Forecast position for 31 March 2024	10,669	3,900	14,569

19.8 In the table above the reserves have been split out to provide transparency of the build up and use of reserves generated from PPP income. The above table shows the expected PPP income of £9.4 million being shared in accordance with the Finance Strategy. £6.3 million will be paid to boroughs following receipt of funds from the contractor (July 2023) and £3.1 million retained by the Authority.

19.9 Provided that no risks materialise the closing reserves balance to manage risks of £10.6 million is close to the target level of £10.3 million and there are no excess reserves for distribution to boroughs.

19.10 In comparison other London waste Authorities hold reserves ranging from £31 million to £73 million. This reflects the Authority's strong history of passing on excess reserves to boroughs.

19.11 The above table also shows the Authority's retained PPP income following the income sharing with boroughs in October 2022 and the anticipated receipt in July 2023. This totalled £6.7 million and as outlined in section 3, three programmes of work have been identified and £1.1 million will be utilised to deliver some of this work in 2023/24. A further £1.7 million will be utilised in the subsequent two years to reflect the total commitment of £2.8 million of funding to be met from PPP income.

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 3.0% for long term inflation long term inflation (2.0% was used last year) which is higher than the long term HM Treasury target of 2.0%.

20.2 The key outputs are as reported in December and 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 its reduction should be a key area of strategic focus e.g. removing food waste from the residual waste stream being an important opportunity
- 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

21 Borough Responses to Budget Consultation

21.1 The formal borough responses to the 2023-24 budget proposals from borough Finance Directors can be found in appendix 2. Responses were received from four boroughs and there were only two common themes (i.e. raised by 3 or more boroughs).

21.2 One common theme related to an interest in budgeted programmes of work funded from PPP income and in particular the plans and potential savings. The business cases and process are presently being developed in collaboration with borough Environment colleagues and an update will be provided to Finance Directors at their quarterly meeting in February.

21.3 The remaining common theme welcomed the Authority's initiative for anticipating and sharing PPP income.

22 Financial Implications

22.1 These are included in the report. 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

23.1 There are no legal implications of this report

Contact Officers	Jay Patel, Finance Director jaypatel@westlondonwaste.gov.uk Ian O'Donnell, Treasurer ianodonnell@westlondonwaste.gov.uk Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk	01895 54 55 11
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Appendix 1 – Finance Director responses to budget consultation



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

14th December 2022

Dear Ian

Thank you for your letter of 2nd December 2022, which sought the views of constituent boroughs on the 2022/23 draft budget.

Given the financial challenges in our MTFS, I welcome the Authority's decision to include the anticipated PPP income in the 2023/24 budget. This provides a level of certainty of the disbursement that will be made to Harrow. It would also be helpful if the Authority could provide a reconciliation once the actual PPP income is confirmed. Any PPP income over and above the £6.3m budgeted should be considered as a further in-year disbursement to boroughs.

The budget proposes to set aside £2.8m of WLWA's share of PPP income for a programme of work to deliver carbon and financial savings to boroughs. Paragraph 2.8 refers to Appendix 2 showing the change required and the potential savings. Can this appendix be provided to see how each programme of work can financially benefit Harrow. A saving target is included in our MTFS from the reduction in waste disposal costs in 2024/25. To help us assess if the target is on track of being achieved, it would be helpful to provide Harrow with an early timeline of when the interventions will commence and the methodology of tracking performance and measuring success. A regular reporting process on the costs and savings of the programme should also be set up and implemented, so that each borough can see its return on these invest to save projects and the effectiveness of these.

In paragraph 2.9, the budget of £1.2m for HRRC project in 2022/23 is forecast to full spend. However, Harrow still has not received its share of funding to date. At our HRRC, there are proposed measures to improve diversion and accessibility with an aim to achieve a more effective and efficient use of the site. I urge that this funding is released to Harrow without any further delay.

The 2023/24 budget includes a breakdown of costs for the programme of work (paragraph 2.9). Of the £1.12m, £107k is allocated to Depreciation. Why is this budgeted to fund depreciation?

Section 15 sets out the disposal rates for waste in 2023/24. Comparing the cost per tonne for residual waste and food waste between the two financial years, 2023/24 rates show an increase of 9% and 16% respectively. These are significant increases which have resulted in an additional £459k in PAYT disposal cost for Harrow even though our residual waste tonnage forecast has reduced (55,653 in 2022/23 vs 54,929 in 2023/24). As suggested in Appendix 1, under the PPP contract, the effect of inflation on residual waste costs over the life of the contract should be dampened. However, this doesn't appear to be the case when comparing the movement of rates between 2022/23 and 2023/24.

I note that the latest budget forecast for 2022/23 identifies a surplus of £1.286m and this is being used to top up the reserves. 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. In terms of setting aside reserves against risks, the Authority has used a methodology of 100% value for High risk item, 75% value for Medium risk item and 50% value for Low risk item. For example, a financial risk of £3.15m is allocated within the target level of reserves to mitigate against PPP income not being materialised, which is categorised as low likelihood of risk. If this risk does not materialise at 2023/24 year-end, the reserve should be released and the £3.15m disbursed to boroughs.

Yours sincerely,



Dawn Calvert
Director of Finance & S151 Officer



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

Date 03rd January 2023

Dear Mr. Patel,

Re: West London Waste Authority Budget and Levy for 2023-24

Thank you for your email sent on the 06th December 2022 with the 2023-24 WLWA budget consultation letter and the draft WLWA budget report.

Firstly, we welcome the £1.5m disbursement paid to the Council in October 2022. This has allowed us to make provision to fund increases in service delivery costs and/or investment in our waste collection service.

We appreciate WLWA confirming a further PPP income share to the boroughs of £6.3m in July 2023. This reflects WLWA's effort to support boroughs' financial planning. We look forward to receiving our c£1m share of the PPP income in July 2023.

We note the 4% increase in overall levies for 2023-24. We understand this is mainly due to expected increases in costs in the 'Waste, Transport and Disposal cost' budget line. Despite WLWA's efforts to contain budget growth to 1.8% (£2.6m), this has caused an additional c£0.2m budget pressure for Hounslow for 2023-24 which will need to be funded from our share of the PPP income.

The 2023/24 WLWA proposal for reserves of £10.3m, in relation to immediate risks relevant to 2023/24 year's activities seems to be prudent and is acceptable.

We are keen to work with WLWA on the programme of work to deliver carbon and financial savings directly to the council over next three years. It will be beneficial to understand the potential savings that can be achieved by the Council to incorporate in our Financial Strategy.

We look forward to receiving regular budget delivery reports and hope to continue working collaboratively with WLWA during 2023.

Yours sincerely,


Clive Palfreyman
Executive Director of Finance and Resources



Jay Patel
Head of Finance, West London Waste Authority

c/o jaypatel@westlondonwaste.gov.uk

5th January 2023

Dear Jay,

RE: West London Waste Authority (WLWA) Levy Consultation 2023/24

Thank you for your email of 6th December 2022, which sought the views of constituent authorities on the 2023/24 draft budget and levy as outlined in the report.

Hillingdon welcomes the early announcement of the PPP income reimbursement due in July 2023 and that the overall increase in the WLWA budget has been contained with savings of £2,673k noted in the report at para 12.6.

Para 12.6 also references a £400k saving in other income relating to an increase in trade waste revenue (reflective of over-achievement vs. target this financial year), with para 17.2 advising that "the proposed main trade and construction charges per tonne at Abbey Road are unchanged to remain competitive". It would be useful to have some further clarification on this point as fees have not increased for a number of years. In this context it is noted that WLWA have a specific reserve to cover off "price competition" risks.

In relation to the three-year investment programme, it would be useful to understand whether boroughs will need to 'bid' for discrete elements of funding within each of the three workstreams and to understand more about the proposed plan for monitoring/accessing the business benefits of the investment programme.

On the more general issue of reserves Hillingdon accepts the principle of retaining reasonable levels of reserves to offset operational risks but would ask that such risks be reviewed

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periodically during the year given that constituent authorities remain under significant financial pressure.

Yours sincerely,



Andy Evans
Corporate Director of Finance

C.C. Cllr Eddie Lavery – Cabinet Member – Environment, Housing & Planning
Perry Scott – Corporate Director of Place

10th January 2023

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

Dear Ian,

West London Waste Authority draft 2023/24 Budget

Thank you for your letter dated 23rd November 2022 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 the approved Council Tax base for 2023/24 is 89,289.

2) Fixed Cost Levy (FCL)

In the 2023/24 draft report, table 16.3 uses the draft 2022/23 budget report FCL figures, and not the final 2022/23 budget report figures, and therefore the Change £000's column seems incorrect.

3) Inflation

We acknowledge that inflation for costs and levies growth is contained to 1.8% in the context of wider inflation running at 10.6%.

4) PPP Income

We recognise the planned distribution of PPP income to the boroughs in July 2023 and welcome the certainty around this. With electricity prices so volatile we note that reserves may be required to satisfy this promise but confirm that reserve levels seem prudent. Can you advise if the £3.9m PPP Income reserve is intended to be utilised for anything more specific than to guard against electricity price fluctuations? If the 'Reserves to manage risks' balance is forecast to be sufficient at 31st March 2024, what is the purpose of the reserve?

Many thanks for your assistance with these matters.

Yours Sincerely
Fenella Merry
Director of Resources and Deputy Chief Executive
London Borough of Richmond Upon Thames

WEST LONDON WASTE AUTHORITY

Report of the Head of Service Delivery & Operations Manager

January 2023

Contracts and operations update

SUMMARY

This report provides an update on the Authority’s waste treatment arrangements and procurements. The key points are:

- The Authority’s largest contract, which involves sending non-recyclable waste by train to an energy recovery centre, is operating well despite continued challenges from ongoing strike action.
- Improvement projects are being delivered at all Borough HRRCs
- Forthcoming legislative change may have an impact on WLWA and Boroughs, but further clarification is needed and is being sought.

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.

2. West London Residual Waste Services contract

This contract is with West London Energy Recovery Limited (WLERL) and is operated by Suez. It involves the acceptance of waste from Boroughs at west London transfer stations, from where most of the waste is compacted into containers and transferred by rail to Severnside Energy Recovery Centre (SERC) for thermal treatment and energy recovery. It is the Authority’s largest contract, handling over 300,000 tonnes of residual waste each year, with a value of around £35 million per year.

The contract continues to perform very well against its Key Performance Indicators (KPIs) for the current year-to-date, where a landfill diversion rate of 99.9% (target 96.1%) was achieved along with a recycling rate of 5.3% (target 2.1%). 96.2% of Contract Waste for Treatment was sent to SERC.

At the time of writing, the Contractor has managed the impacts of three series of rail strikes, on 26 November, 13 to 17 December and 24-27 December. Additional problems on the rail network led to further cancelled or disrupted trains on 2, 3, 8, 9 and 20 December. Despite these difficulties, the Contractor has managed to deliver the services with little disruption to Boroughs, and November saw 27,810 tonnes of WLWA’s waste treated at SERC, the highest monthly tonnage of the year so far. Catch-up trains, and additional road haulage has helped keep waste moving to SERC despite the rail disruption.

Further rail strikes are taking place on 2 to 7 January. The Contractor has extensive contingency plans for this period, including maximising use of rail on the days that trains are running, and additional road haulage has been booked throughout the festive period and early January. Capacity levels at the time of writing are good at both transfer stations, and the forecast for the weeks ahead is within storage limits, although Victoria Road is expected to be near full capacity by 7 January. The Contractor is working with its rail haulage contractor to try and schedule trains during the January strike period, which will further improve capacity levels if successful.

The Contractor is developing plans to increase the resilience of the rail service under the assumption that strikes will continue in the medium-term. The plans include securing additional train paths so that trains can run at different times in the event of disruption.

Despite the operational challenges, the Contractor and its operating sub-contractor, Suez, continues to invest in major improvement projects to improve the transfer station service for Boroughs. This includes:

- Upgrade of fire suppression systems, costing £4m in total, now in place at Transport Avenue and is being installed at Victoria Road.
- Replacement of the waste compactors to increase the load weights on the trains, reducing carbon and increasing reliability of the transfer station operation. Cost: £2m
- Installation of more weighbridges, speeding up vehicle movements through the sites. Cost: £0.5m
- Replacing the ageing waste cranes at Victoria Road transfer station to increase the speed and reliability of the operation, at a cost of £3.5m

3. Viridor residual waste contract (Lakeside)

This contract is for 90,000 tonnes a year of residual waste which is thermally treated at Lakeside energy recovery centre near Slough. The contract is operating well.

4. Food waste contract

The food waste contract with Biocollectors continues to operate well.

5. Green waste contract

The green waste contract is operated by West London Composting (WLC). At the December Authority meeting, it was verbally reported that on 30 November a tractor tyre exploded, seriously injuring the legs of two site workers. Both workers are now out of hospital and recovering at home following surgery. The accident is being investigated. WLWA has since visited and inspected the site and will return for a further unannounced visit.

Operationally, the contract continues to deliver a good service.

6. Transport contracts

The Authority lets two waste transport contracts:

- One for transporting non-recyclable waste from Borough waste transfer stations and Dry Mixed Recycling (DMR) collected by Ealing, typically using bulk haulage vehicles, operated by Waste-A-Way Recycling.
- One for the removal of segregated materials from Borough HRRC sites in roll-on roll-off (RoRo) containers, operated by Suez.

Both contracts are operating well.

7. Dry Recyclables

The contract is operating well, and there are no operational issues to report.

8. Abbey Road HRRC and Waste Transfer Station (WTS)

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

At its December meeting, the Authority was informed of the loss of one mobile plant operative due to a heart attack, and the loss of another who was dismissed for gross negligence. Since then, agency cover has been provided and recruitment for replacement drivers is taking place. A long-standing vacancy for an Operations Data Officer has been filled and the appointee is settling into the position well.

Circular economy activities on site are progressing well, with more outlets secured for re-usable and repairable bicycles received from the Abbey Road and Richmond HRRCs. Lottery funding for the Fixing Factory, which repairs laptops on site, has been extended and an analysis is currently underway to understand the strengths and areas of improvement for the project so far, so that a plan can be put in place to get the best learning from the remaining funding period.

The Operations Project Manager is developing a trial for sorting black bagged waste brought into the HRRC by residents at Abbey Road. This initiative has been rolled out in other parts of the country and has led to significant financial and carbon savings by recovering valuable materials that would have otherwise been sent to energy from waste. It also removes potentially dangerous materials, such as batteries, from the residual waste stream. Black bag sorting will take place as part of two-way conversations between Waste Minimisation Operatives and residents bringing black-bagged waste, and a communications plan is being developed for the trial.

9. HRRC Improvement Programme

HRRC Improvement work continues to be rolled out by the Boroughs, funded by WLWA's investment of £200,000 per Borough. To retain the funding, Boroughs must achieve a minimum diversion rate of 40% for the full year 2022/23. Hillingdon and Harrow are close to this threshold and WLWA colleagues are working with these Boroughs to support them in exceeding 40%. A year-end project report will be brought to the Authority's meeting in March.

Richmond has appointed WLWA's Operations to provide operations management for its two waste sites: Townmead and Central Depot. The team is also providing operations cover to Hounslow for its Space Way transfer station/HRRC over the Christmas period.

10. Legislative change

Persistent Organic Pollutants (POPs)

The Environment Agency has announced its intention to enforce segregation of waste materials containing Persistent Organic Pollutants (POPs) – which are commonly found in fire retardants and are common in upholstered domestic seating. These items are collected at Borough HRRCs. POPs can cause harm to humans and the wider environment and therefore must be managed safely and not end up in landfill. The Environment Agency has written to waste authorities requiring them to separate out POPs-containing materials that are destined for disposal and send them separately for incineration.

West London's authorities already send these materials to energy recovery facilities, but the Agency is asking for them to be handled separately before they get there. This reduces the efficiency of the process, leading to additional cost and carbon impacts throughout the system, including at Borough HRRCs, and it is unclear how it will improve the safe management of POPs. WLWA is therefore working with industry associations to push for a more pragmatic and risk-based approach that safely manages POPs while maintaining efficient waste systems.

All POPs containing upholstered domestic seating is currently sent to energy recovery facilities, which destroys the POPs and therefore this approach is compliant with the legislation. The WLWA operations team is working with Boroughs and contractors to demonstrate that current methods of managing upholstered domestic seating prior to incineration are legally compliant.

Major waste reforms

Over a year has passed since the Government consulted on major reforms to waste and recycling, including Waste Prevention, Extended Producer Responsibility (EPR), Deposit Return Scheme (DRS), and Consistency of Collections. The Government has so far only responded to the EPR consultation results, saying that it will be introduced for household waste, but the roll-out for business waste will be delayed. The Government is expected to publish its responses to DRS and Consistency of Collections early in the New Year. The outcomes of these consultations

will have major impacts on the composition of wastes that WLWA and Boroughs manage, and is likely to influence how recyclables are collected.

Electricity Generators Levy

The levy, announced in the Government's recent mini budget, applies to electricity sold at over £75/MWh from low-carbon electricity generation. The levy provides an allowance for the first £10m per annum of generation above this level that will not be subject to the levy, and a de minimis meaning the levy will only apply to companies or groups of companies generating more than 50 gigawatt hours per annum. Further detail is expected in March.

It is currently unclear if the levy will impact WLWA's contracts. The National Association of Waste Disposal Officers has written to the Government expressing that the levy must not lead to a reduction of income to Local Authorities with income waste contracts that share income from electricity generation.

11. Health and Safety Implications

Additional waste at the rail linked transfer stations, due to the operational issues discussed in Section 2, could increase the risk of accidents involving visiting vehicles due to temporary changes to the layout of the transfer stations and traffic flows. This Contractor will mitigate this by informing site users of changes upon arrival.

Improvement work at the transfer stations is all subject to an extensive risk assessment process by Suez.

Officers are awaiting the outcomes of the investigation into the WLC incident to determine any improvement actions.

New staff at Abbey Road, including agency staff, will be fully inducted to work safely on the site.

A risk assessment for the sorting of black bagged waste is being developed by the Authority's health and safety manager in consultation with the Operations Project Manager.

12. Financial Implications

The disruption caused by rail strikes, described in Section 2, leads to additional costs, largely from delivering more waste to SERC by road when rail is unavailable. These additional costs are paid for by the Contractor. In the event that the Contractor is unable to send waste to SERC and must instead use an alternative energy recovery facility, or landfill, WLWA will miss out on a contract rebate for this material. A maximum of 3.9% (around 12,000 tonnes) of contract waste can be treated this way with WLWA covering the additional costs. If this occurs, WLWA could miss out on a maximum rebate of around £1.8m. Should this come to pass, it would not affect the budget position because this is additional income received after financial year end.

WLWA is obliged to send the Contractor 235,000 tonnes a year of Contract Waste for treatment. The rail strikes pose a risk that waste will not reach SERC and WLWA must pay for 235,000 tonnes regardless of whether it is treated. However, this risk is low because of the Contractor's proven ability to get waste to SERC regardless of the disruption, and because this year 178,000 tonnes has been treated already.

The improvement projects described in Section 2 total around £10m. These will be financed by the Contractor and WLWA is not obliged to contribute to the costs. The improvements will improve the speed of Borough tipping, leading to operational savings.

Increased use of agency staff to cover vacancies at Abbey Road will be financed through savings made at site, including from increased trade waste income.

HRRC improvements are being delivered within the £200,000 per Borough allocation from WLWA. Boroughs must achieve over 40% diversion in 2022/23 to retain the funding.

The major waste legislation reforms will have a financial impact in the medium to long term, but Government's consultation responses are needed to model these impacts. The impact of the

Electricity Generators Levy on WLWAs contract is unclear and further information from the Government is needed to clarify this.

Approximate annual values of the Authority’s key contracts are:

- WLERL, residual waste services, £35m
- Viridor, residual waste services, £14m
- West London Composting, green waste, £1.5m
- Waste-A-Way, transport services, £1.0m
- Suez UK, transport services, £0.5m
- Biocollectors, food waste, £0.4m

Please refer to the Finance Update for a summary of the current position against the budget.

13. Staffing Implications

Agency staff are covering vacant positions at Abbey Road whilst recruitment is taking place, as described in Section 8.

14. Legal Implications

Legal positions have been sought on the management of POPs and the potential impacts of the Electricity Generators Levy.

WLWA and Boroughs are compliant with legislation on POPs, because domestic seating is not sent to landfill.

15. Impact on Carbon reduction

HRRC improvement projects aim to maximise diversion of valuable materials from residual waste, reducing carbon by keeping materials in circulation.

Improvement projects at the waste transfer stations aim to increase the efficiency of the tipping and transport of waste, reducing the carbon associated with managing it.

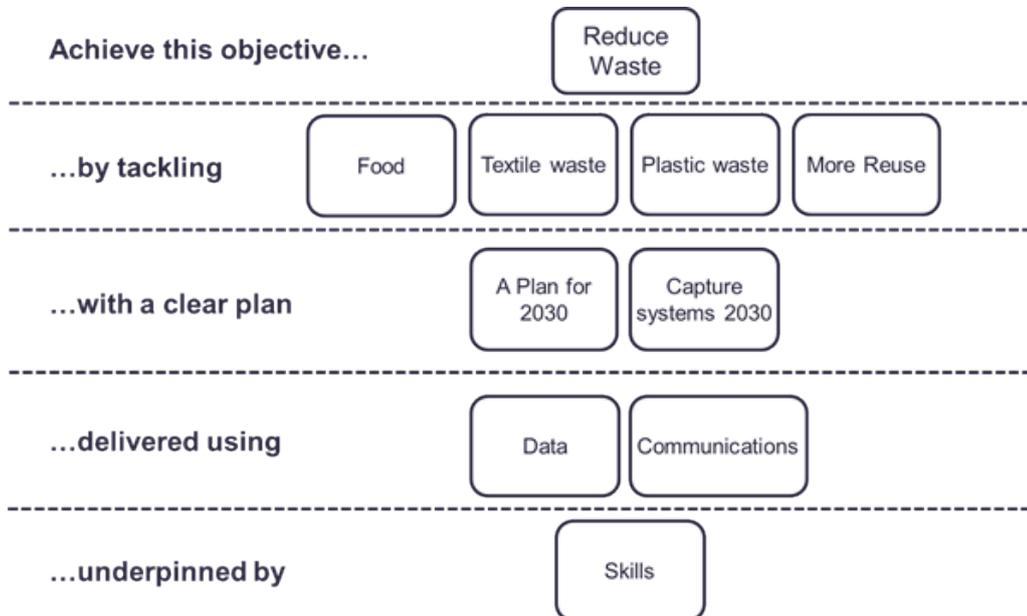
Any requirement by the Environment Agency to separately manage POPs containing domestic seating would increase the carbon impact of the operation.

16. Impact on Environment Directors Priorities

Priority	Key points raised within this report
Bringing residents with us	HRRC improvement projects, including black bag sorting, aim to make the most of the opportunities for talking with residents about their waste and recycling behaviours.
Sustainable decision making	N/A
Climate adaptation and decarbonisation	See Section 15
Dealing with financial challenges whilst delivering on climate change	HRRC improvements will deliver financial savings to Boroughs, directly through separating more recyclables, and indirectly through residual waste savings to WLWA. The major waste legislative reforms provide an opportunity for Boroughs and WLWA to improve the efficiency of operations and secure extended producer responsibility payments.

17. Impact on Joint Municipal Waste Management Strategy

The framework of a joint plan for 2030 to be developed by WLWA and Boroughs was agreed in March 2022 and is shown below.



The HRRC improvements discussed in Sections 8 and 9 will tackle some of the key materials in the diagram above through increased diversion of materials from residual waste.

The major legislative reforms described in Section 11 will help to develop A Plan for 2030 and Capture Systems 2030.

18. Impact on statutory, national and London targets

The HRRC improvement programmes and the major legislative reforms will help address the target 65% recycling by 2035 (2030 in London).

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Communications Programme Update

SUMMARY

This report provides an update on the WLWA Communications Programme.

- More than 60% of residual waste has existing diversion capture systems adding unnecessary cost into Borough systems, wasting resources that are permanently lost to the system. Capturing that lost material will give us the opportunity to reduce carbon impact, reduce cost, increase recycling and create the basis for a strong circular economy.
- Budgeted external support will bring in expertise and inform changes that will assist us to move from the current steady state reasonable levels of recycling to a new knowledge base which will empower members of the public to reach new levels of recycling.
- Resident insights will demonstrate how our current systems are perceived and offer opportunities to refine our message and potentially services to ensure systems are used to their maximum and materials are returned for recycling and reuse.
- Working together will enable us to create consistency of message and to optimise our resources to maximum benefit.

RECOMMENDATION(S)

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

1. Introduction

The communications programme in the budget for three years from 2023 is designed to measure the levels of knowledge, engagement and participation of residents across the region. This will be used to create new and direct messaging to help shift residents' approach to waste reduction, material diversion and recycling resulting in more efficient usage of the service already provided.

Food waste recycling is the service that most citizens don't use (Appendix 1). Persuading every household to recycle food waste will reduce waste, reduce cost, increase recycling and contribute to global and UK decarbonisation. It will result in cost savings for citizens, Boroughs and WLWA. Cost savings for WLWA and Boroughs means more money available to invest in other recycling services. We want to normalise food waste recycling and ban food waste from the bin.

Plastics recycling is extremely complex, some plastics are technically and economically easy to recycle, some are very difficult. Most plastics are made from fossil oil which is environmentally damaging. The producers of plastic packaging want to make more and have us recycle more plastic, the public attitude appears to be for less plastic.

Textile recycling is low volume but high value of both cost and carbon. Textiles are rapidly becoming as complex as plastics with 100s of grades of different material, from eg. cotton, wool, mixed fibres to types of plastic. We want to prevent textiles from going in the bin.

Electricals and batteries - Large electrical items are predominantly recycled if taken back in store or to HWRCs but a) small electrical items find their way into the bins and b) we need to preserve the value of the product through reuse. Electricals and batteries in the bin cause fires and are environmentally damaging.

The output will be baseline citizen knowledge, understanding of complex recycling systems and the links with climate change. Create and deliver content designed to significantly increase citizen knowledge and attitudes. Baseline again and review the waste and recycling statistics and outcome of the social value and reuse project.

2. Waste Composition Analysis

The 2022 waste composition analysis has been completed by Integrated Skills Ltd (ISL). To ensure consistency of methodology ISL also revisited the data from WCA in 2020 and 2021 so that we have a consistent dataset. WLWA Average composition detailed in Appendix 1.

Food waste - as reported in the last meeting food waste remains the highest proportion of the residual waste at c.34%. This volume represents c.75% of the total food waste generated in the region with the remaining 25% captured in the food waste service.

Dry Mixed Recycling (DMR) – the DMR in the residual waste accounts for a further 17% of the total volume with similar volumes of glass (4%), plastic (4%), paper (3%) and card (4%).

Garden Waste – all Boroughs provide garden waste services however 6% of the residual waste is garden waste.

Textiles – textiles have the highest embedded carbon of all the materials disposed of in the residual. This high carbon content combined with the volume (4%) puts textiles as a priority target for intervention. Free household textile collections are available across the Boroughs through our partnership with TR Aid.

Waste Electricals – There the composition analysis shows the continuing trend for waste electricals (1%) to be disposed of in the residual waste. This poses a risk to Borough and WLWA operations through fires caused by batteries and capacitors in waste electricals. The TR Aid textiles service available across the Boroughs is trailing the collection of separately presented waste electricals with a bag of textiles.

The overall proportions of the waste composition show that on average more than 62% of the material disposed of into residual waste has an alternative capture route, mainly at the household. This represents a significant loss in carbon, recycling rate and efficiency.

3. **Joint Borough Communications** – the joint communications group has had a further meeting in December attended by the Chair of the Environment Directors to highlight the importance of the joint communications work in achieving the Borough objectives including food waste diversion and behaviour change. A follow up meeting with the Chair of the Environment Directors and the joint communications group is being arranged to maintain alignment and development. In addition to WLWA boroughs, representatives from Hammersmith and Fulham and Barnet were also in attendance covering Borough priorities and collaborative working opportunities and resources.

This forum will continue to promote the current partnerships and successes such as the Lets Go Southall Bikes repair and reuse, Petit Miracles furniture reuse and up cycling and the electrical repair and reuse services through the fixing factory.

4. Risk

Programme risks include the continuing loss of material from the existing recycling and diversion systems which will result in high ongoing disposal cost and will not meet recycling or carbon targets. Further risks include effective integration with other programmes and projects, which will be managed through regular reporting and the governance process.

The impact of communications on the system relies on change delivered by residents and there could be a lag in the time between intervention and behaviour change. This will be monitored through effective data monitoring and measurement.

5. Financial Implications

The expected savings for the programme in year one is c.£200k. This will be achieved through greater understanding of the current systems and services provided. These include a reduction in contamination of dry mixed recycling, more efficient use of new services such as bulky waste collections and through a reduction in residual waste as material is captured in the correct stream, for example food waste.

The materials in the residual waste account for the following net cost of disposal based on the difference between available treatment routes.

Material	Potential Net saving (£k)
Food	13,500
DMR	3,600
Garden	1,800
Total	18,900

As identified in the Finance update, any material moved into the correct collection system would be a direct benefit to the Boroughs through the lower volumes in the residual waste budget, up to 48% of the (c.£38.9M).

Further savings and risk mitigation can be achieved through the reduction of waste electricals in the waste streams. Waste electricals in residual or recycling can cause fires at our or contractors sites. A recent fire believed to be due to a battery from waste electricals recently cost a contractor c.£1M worth of damage. These events impact on our services as well as indirect consequences through industry changes in insurance operating procedures. WLWA are best placed to help minimise waste electricals in the incorrect streams through effective communications and joint working with Boroughs.

6. **Staffing Implications** – The Projects and Circular Economy team is restructuring to deliver the required governance and oversight of the programmes.
7. **Health and Safety Implications** – None
8. **Legal Implications** – None
9. **Implications for the Environment Directors**

The communications programme is a key element in delivering the Environment Directors priorities in the next two years. The four priorities are shown below, supported by examples:

<p>Bringing the community with us (inc. behaviour change)</p> <ul style="list-style-type: none"> •Make it work for everyone •Creating the change needed to meet net zero •Impacts on residents •Green economic development and growth 	<p>Sustainable decision making (eg Doughnut model) across West London</p> <ul style="list-style-type: none"> •Aligning decision making priorities •Social value evaluation •Data gathering •Resilience and skills •Carbon credits/tax 	<p>Climate Adaptation and Decarbonisation</p> <ul style="list-style-type: none"> •Infrastructure (Energy/Waste) •Energy capacity •Neighborhood decarbonisation •Future proofing •Service reform (Waste/Transport/Parking) 	<p>Dealing with financial challenges whilst delivering on climate change</p> <ul style="list-style-type: none"> •Cost of delivery crisis •Generating income •Reform services to self finance change •Pilot / test projects •Collaboration
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Key areas include behaviour change, data gathering, resilience and skills, social value evaluation and future proofing the system.

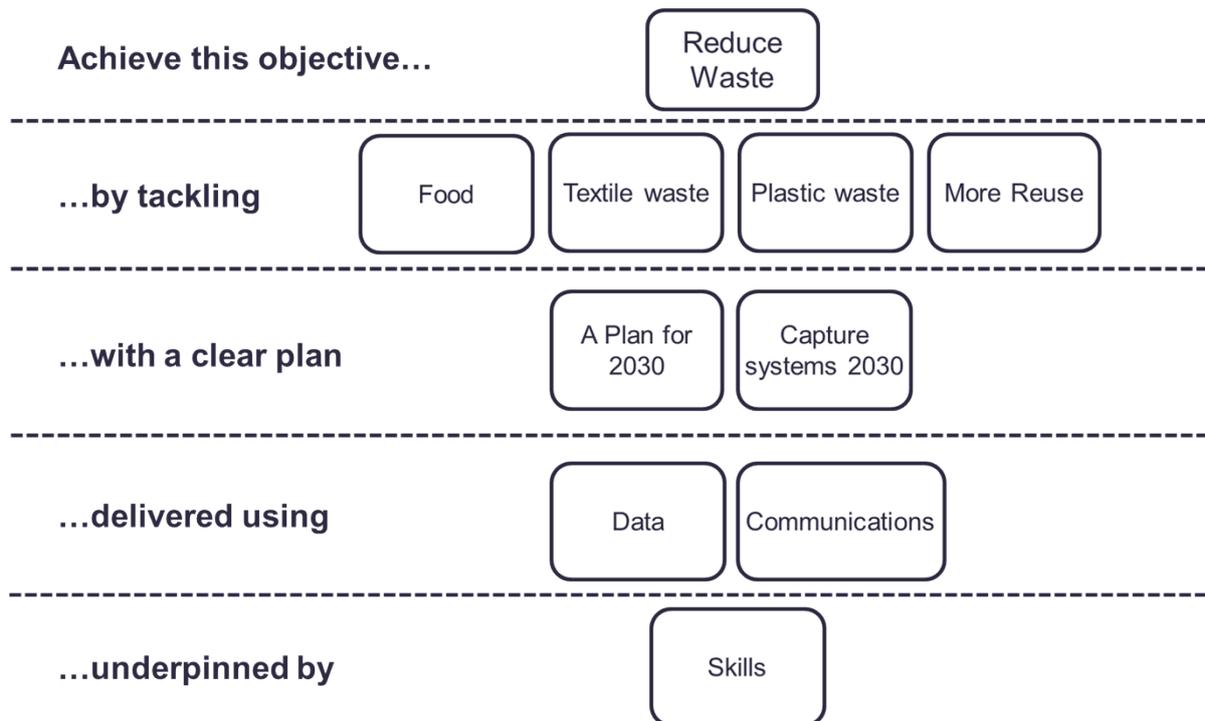
10. Joint Waste Management Strategy

A key factor in the Joint Waste Management Strategy is the 65% recycling target. To meet this a framework of a joint plan for 2030 to be developed by WLWA and Boroughs was agreed in March 2022. The joint plan must incorporate managing the rising cost of inflation which can only be countered in WLWA by reducing the amount of waste collected.

It is vital in this year that we:

- Increase the proportion of residents using the food waste service and
- Prevent waste at source in the recycling centres.

The agreed framework is shown below:

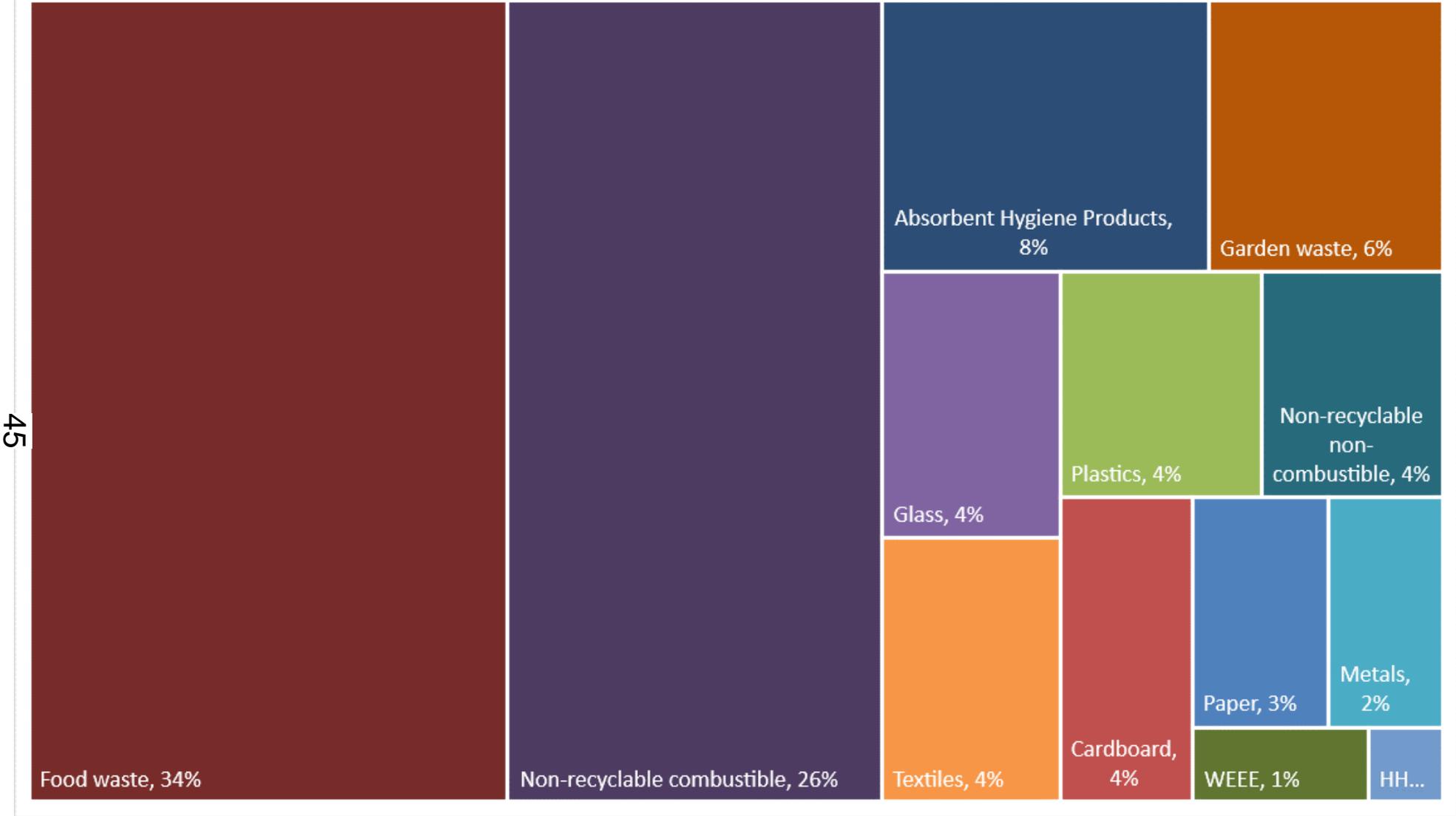


The programme is intrinsically linked to the Authority’s Joint Waste Management Strategy and Business Plan. The projects are driving the design of the new policies and programmes through data, best practice and identification of opportunities, as well as delivering change to meet the desired outcomes and targets in the Strategy and the proposed Budget.

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Appendix 1 – WLWA average waste composition

WLWA average waste composition



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Finance Update

SUMMARY

This report provides an update on financial and operational matters. The key points are:

- Day to day financial performance is broadly on track with lower than budgeted waste volumes accounting for the majority of the variance from operational activities.
- In other activities, the forecast annual position includes an estimate of PPP contract income and two thirds disbursement to boroughs.
- Operational performance is shown in the KPIs and is largely on track with two key exceptions on turnaround times and food waste
- There were no delegated decisions

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the current financial position and forecast for 2022/23
- 2) Note the KPIs to date
- 3) Note the delegated decisions

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

From an operational “day to day” activities perspective, the overall performance for the period shows a favourable variance (i.e. underspend) of £786k compared to budget. The key variance is an underspend of £862k for Waste Transfer and Disposal costs which is largely from lower than budgeted volumes of residual waste. This is also reflected in the variance in levies which shows boroughs are paying £632k less than was budgeted for their waste.

The forecast for the year is principally based on the current level of activity continuing throughout the year potentially delivering larger under spends. The continuing pattern of spending is very similar to previous periods and results in an estimated underspend of £955k for day to day activities.

Significantly, in other activities, PPP income for the year has been estimated at £9.4 million. The volatile electricity market and impact of any windfall tax create some uncertainty in this estimate and the value will only become clear in June 2023 when figures are finalised and paid over to the Authority. At that time two thirds will be passed on to boroughs in accordance with the Finance Strategy and as outlined in the 2023/24 Draft Budget.

High Level Summary

	P8 Budget £ 000s	P8 Actual £ 000s	P8 Variance £ 000s	Full Year Budget £ 000s	Full Year Forecast £ 000s	Full Year Variance £ 000s
Expenditure						
Employees	1,766	1,721	(45)	2,648	2,744	96
Premises	1,781	1,654	(128)	2,672	2,490	(182)
Waste Transfer and Disposal	33,039	32,177	(862)	49,558	48,270	(1,288)
MRF Waste Transfer and Disposal	1,432	1,309	(123)	2,148	2,025	(123)
Supplies and Services	799	724	(75)	1,198	1,090	(108)
Depreciation	6,539	6,980	440	9,809	10,469	660
Financing and Other	4,045	4,034	(11)	6,067	6,056	(11)
Concession Adjustment	(2,982)	(2,982)	0	(4,473)	(4,473)	0
	46,419	45,616	(802)	69,628	68,673	(955)
Income						
Levies	(43,035)	(42,403)	632	(64,552)	(63,604)	948
MRF Service Charge	(1,432)	(1,309)	123	(2,148)	(2,025)	123
Trade and Other	(1,419)	(2,157)	(739)	(2,128)	(3,199)	(1,071)
	(45,885)	(45,869)	16	(68,828)	(68,828)	(0)
(Surplus) / Deficit	533	(253)	(786)	800	(155)	(955)
PPP Contract Income	(1,333)	0	1,333	(2,000)	(9,450)	(7,450)
HRRC Fund	800	0	(800)	1,200	1,200	0
Net (Surplus) / Deficit	0	(253)	(253)	0	(8,405)	(8,405)

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. Notable items of detail from Appendix 1 include:

The residual waste variances in both PAYT and FCL activities are made up of reduced costs from lower than budgeted residual tonnages being partly offset by higher prices due to higher than budgeted inflation. The total residual waste underspend for the year is forecast at £1,288k and accounts for the majority of the day to day activities variance. This is the main driver of the reduced PAYT levies payable by boroughs of £948k.

Another favourable variance relates to higher than budgeted level of trade and other income. This is expected to out-perform the budget by £1,071k by the year end with a key driver being the closure of a local commercial competitor's site.

Partly offsetting the above, depreciation charges are higher (£660k) as a result of the 2021/22 year end property valuations (an accounting requirement) which showed an increase in the value of assets.

Outside of day to day activities the forecast for the year for the improvements to HRRC's anticipates investments will be made by the year end by borough colleagues.

The PPP income forecast of £9,450k is the final most significant variance. The forecast is based on market electricity prices continuing at the present high rates and allowing for a 25% windfall tax. Electricity prices are volatile and the impact of any windfall tax unclear, so the level of income is subject to a high degree of uncertainty.

The sum due will only become clear when finalised by the contractor in June 2023, when monies will be received by the Authority. Note that when funds are received, they will be shared with boroughs in accordance with the Finance Strategy, so two thirds will pass through to boroughs. The payment is budgeted in the 2023/24 draft budget.

2. KPIs for 2022/23

Appendix 2 summarises the performance to the end this period.

Most indicators are on target (green) and the performance is reflected in the RAG rating and commentary. There are two red indicators.

Turnaround times will continue to be lower than target and are a result of a combination of factors. In particular the impact of ongoing rail strikes, but also including a short term impact of a crane failure and diversion of waste to manage planned maintenance at SERC in the summer.

Food waste per person is also below target. Six borough food projects were expected to be in operation, however three have been slow in commencing and in overall terms not enough residents are using the food waste services that are there. This coupled with the potential impact of the cost of living crises reducing the amount of food waste produced by people means that it is unlikely the performance will recover this year.

Also worth noting is the people development indicator which has been flagged as amber. The indicator shows an improvement in performance on 2021/22 however it is unlikely to meet the target set for 2022/23. An exercise is currently in progress to ensure all the data has been gathered and included in the performance statistic.

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 was one delegated decision as detailed in the Part 2 paper later in today’s agenda.

4. Financial implications / risk

The financial implications are as detailed in the report. For financial risks, if they materialise they will be reflected in an overspend or shortfall of income and ultimately an overall deficit. These key risks (i.e. the deficit) are managed through reserves as established in our Finance Strategy. Essentially the reserves are an amount is set aside to deal with the risks should they materialise.

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Appendix 1

Pay As You Throw	2022-23 YTD Period 8				2022-23 Full Year Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	25,931	25,949	18	Lower residual volumes partially offset by high prices Tonnes collected are 18% lower than budget.	30,896	30,798	(99)	forecasts based on current level of activity
Waste - Food	261	218	(44)	This time last year tonnages collected were 12% lower than budget.	392	326	(66)	forecasts based on current level of activity
Waste - Mixed Organic	0	0	0		0	0	0	
Waste - Green	1,244	1,050	(195)	Lower volumes likely due to dry summer	1,866	1,574	(292)	forecasts based on current level of activity
Waste - Other	466	283	(183)		699	424	(275)	
Depreciation	5,597	6,059	461	Higher costs in line with revaluations carried out in Mar22.	8,396	9,088	692	Higher costs in line with revaluations.
Financing	753	753	0		1,129	1,129	0	
Premises	928	928	0		1,392	1,392	0	
Concession Accounting Adjustment	(2,559)	(2,559)	0		(3,838)	(3,838)	0	
Levy Income	(33,620)	(32,988)	632		(50,430)	(49,482)	948	
PAYT Net Expenditure	(998)	(309)	690		(1,498)	(589)	909	

Fixed Cost Levy	2022-23 YTD Period 8				2022-23 Full Year Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	1,766	1,721	(45)	Vacancies across organisation as staff members have left. MAT leave pay in effect resulting in further savings against budget.	2,648	2,744	96	Overspend due to new starters and higher agency costs to cover vacant posts. Staff members returning back from MAT leave. Back dated pay award
Premises	854	726	(128)		1,280	1,099	(182)	
Waste - Residual	3,758	3,097	(661)		5,637	4,771	(866)	forecasts based on current level of activity
Waste - Residual (Adjustments)		583				1,000		moved to tie in with weekly reports that Tom reports
Waste - Green	185	262	77		278	393	115	
Waste - Wood	557	567	10	Tonnages lower than budgeted	835	850	15	forecasts based on current level of activity
Waste - Other	636	753	116		955	1,134	179	
Waste - MRF	1,432	1,309	(123)	Nets out with income below.	2,148	2,025	(123)	
Supplies and Services	799	724	(75)		1,198	1,090	(108)	
Depreciation	942	921	(21)		1,413	1,381	(32)	Higher costs in line with revaluations.
Financing	2,651	2,640	(11)		3,976	3,965	(11)	
Revenue Funding of Debt	641	641	0		962	962	0	
Concession Accounting Adjustment	(423)	(423)	0		(635)	(635)	0	
Trade Waste and Other Income	(1,419)	(2,157)	(739)	generating more trade income than budgeted	(2,128)	(3,199)	(1,071)	
MRF Income	(1,432)	(1,309)	123	Nets out with costs above.	(2,148)	(2,025)	123	
Levy Income	(9,415)	(9,415)	(0)		(14,122)	(14,122)	(0)	
Fixed Cost Levy Net Expenditure	1,532	56	(1,476)		2,298	434	(1,864)	

(Surplus) / Deficit	533	(253)	(786)		800	(155)	(955)	
PPP Contract Income	(1,333)	0	1,333	Notional budget figure.	(2,000)	(9,450)	(7,450)	Estimating income from PPP contract at year end of £9.45m of which £6.3m will be
HRRC fund	800	0	(800)		1,200	1,200	0	boroughs utilise all funds to make improvements
	(533)	0	533		(800)	(8,250)	(7,450)	

Appendix 2

Key Performance Indicators 22/23							Cumulative
KPI	22/23 Target	Red Threshold	Description	Commentary about target	Nov-22	Commentary about performance	
Keep Waste Moving							
1	Diversion from Landfill %	95.00%	< 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).	Suez' contractual target is 3.9% max to landfill.	99.9%	
2	Turnaround times (% above 25 minutes) for borough vehicles	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	Contract turnaround time is 15 minutes but breach of contract is at 25 minutes and over.	10.3%	Ongoing crane reliability issues at Victoria Road, a medium term fix is being put in place. Rail strikes increasing waste stocks on the site and reducing capacity for tipping
Increase Efficiency							
3	Overall £/tonne	£85.09	> £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.	£92.86	
4	Overall £/person	£28.92	> £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.	£27.75	
Divert From Waste							
5	All waste - monthly kg per person	28.34	> 30 kg = Red	Total cumulative waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages.	24.91	
6	Residual waste - monthly kg per person	20.88	> 22 kg = Red	Total cumulative residual waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. Food within residual should be reducing this figure.	20.04	
7	Food waste - monthly kg per person	1.91	< 1.64 kg = Red	Total cumulative food waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. The Food waste investment of £500k per borough should drive this up.	1.50	3 boroughs food projects not commenced and impact of cost of living crises reducing food waste
Effective Control							
8	People development	500.00	< 450 = Red	Total number of learning and development activities carried out in financial year (amongst total employees).	Includes monthly team meetings which has driven this to increase in FY23	295.00	A check is being undertaken to ensure all the data has been collated. The current data shows that the performance for 22/23 will exceed the 21/22 performance of 338 but may be below the target.
9	Staff turnover	15%	> 20% = Red	Cumulative leavers YTD against total budgeted staff.	Not a large staff number therefore can be skewed by minimal movement.	5.0%	
10	Sickness rate	2.0%	> 3% = Red	Cumulative sick days lost year to date.	In 2020, published figures show that sickness absence rates in public sector stood at at 2.7%. Have left target at 2% after considering the wide gap between the size of our workforce and those of other public sector organisations.	1.5%	
11	Paying suppliers promptly	30	> 32 days = Red	Average number of days to pay suppliers in the month.	Statutory level	30.4	
12	Maintaining cash flow (Minimising trade debt)	8%	> 10% = Red	Debt at end of period (percentage of non levy income excluding borough debt).	Reflects debt at end of period.	0.3%	
13	RIDDOR incidents at Abbey Road	0	> 1 = Red		Average over 3 years is 0.33. Given the fact that we have not had any in the past 2 years, the target is 0.	0.00	
14	Average time taken to complete the entire hazard card process from start to finish	5	> 10 = Red	Time (days) taken from when hazard was raised through to comments from site manager and H&S advisor.	Time (days) taken from when hazard was raised through to comments from site manager and H&S advisor.	0.00	

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