

2018/19 Budget

SUMMARY

This report sets out the 2018/19 budget

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Approve the 2018/19 budget
- 2) Approve the Pay As You Throw (PAYT) rates in section 14 and resulting PAYT levy of £47.6 million
- 3) Approve the Fixed Cost Levy (FCL) of £12.2 million in section 15
- 4) Approve the recommended trade waste prices in section 16 and delegated authority to the Treasurer to change these in year should the need arise
- 5) Note there are no new proposed capital budgets in section 17
- 6) Approve the target level of reserves of £4.2 million to act as a buffer for managing risks and avoiding supplementary levies, in section 18

1. Introduction

1.1 A draft budget was reported to the Authority in December and no subsequent changes have been made.

1.2 The report has been updated to include

- The feedback from borough Finance Directors
- The latest 2017/18 year end forecast position
- A summary of medium term and long term plan

2. Executive Summary

2.1 The key message is that the total costs and overall levies (£59.8 million) proposed for 2018/19 are marginally lower than 2017/18 levels, despite inflation running at more than 4%.

2.2 The 2018/19 budget includes the purchase of transfer station sites (see confidential report later in today's agenda) and funding to deliver business plan objectives / projects as well as continuing to run business as usual operations.

3. Expenditure and Income

3.1 The table below sets out the 2018/19 budget and the movement from the 2017/18 budget. The latest 2017/18 forecast is also included to provide context and illustrate the current level of activity.

	2017-18 budget £ 000's	2017-18 forecast £ 000's	2018-19 budget £ 000's	Changes in budgets £ 000's
Costs				
Waste Transfer and Disposal	44,615	42,731	45,592	977
Depreciation	8,227	8,169	8,600	373
Financing Cost	5,059	4,978	5,566	507
Premises	4,288	3,824	2,571	(1,717)
Employees	1,653	1,728	1,803	150
Supplies and Services	1,317	788	927	(390)
Revenue Funding of Debt	0	0	684	684
Concession Accounting Adjustments	(3,449)	(3,994)	(4,065)	(616)
Total costs	61,710	58,224	61,678	(32)

Income				
PAYT Levy	47,360	46,032	47,636	276
FCL Charge	12,520	12,520	12,214	(306)
Disbursement to boroughs	0	(1,800)	0	0
Total Levies	59,880	56,752	59,850	(30)
Other Income	1,830	1,883	1,828	(2)
Total income	61,710	58,635	61,678	(32)

Total (surplus)/deficit	0	411	0	0
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3.2 The budget headings are per our usual format for regular budget monitoring reports however there are two new lines for 2018/19.

3.3 Firstly the Concession Accounting Adjustments have been separated out so the Waste Transport and Disposal and Financing Costs now reflect what we actually pay contractors and lenders. For budgeting purposes it is also clearer to see what the accounting adjustment actually is, rather than netting it off with other costs (as we have to under accounting requirements for our annual accounts). This line is explained in section 11.

3.4 Secondly the revenue funding of debt represents a new activity next year. It is the cost of repaying the loans for acquiring the freehold for transfer station sites. See section 10.

4. Waste Transport & Disposal (WTD)

4.1 The WTD budget accounts for the majority of the Authority's budgeted costs. The 2018/19 tonnage forecasts from boroughs have been reviewed for reasonableness by Authority managers. The forecasts together with contract pricing information form the basis for the calculation of the 2018/19 budget.

4.2 The 2018/19 WTD budget is £45.6 million, an increase of £1.0 million or 2.2% resulting primarily from the impact of inflation.

- 4.3 Most contracts require annual pricing adjustments based on the movement in the RPIX (retail price index excluding mortgages). The assumption for RPIX for 2018/19 is 4.0%. This is based on the September 2017 index (4.1%) and the governments Office for Budget Responsibility's forecast for RPIX for next year of over 4.0%.
- 4.4 The contract pricing in the major PPP contract has gone a long way to dampening the increase in waste transport and disposal costs. This is because a significant portion of contract waste sees no / very little price inflation under the terms of the contract.
- 4.5 Another key factor limiting the growth in waste transport and disposal spending is the slightly lower overall borough forecasts of tonnages, better reflecting the current level of waste. The 2018/19 budgeted tonnage is made up of the following materials:

Material	2017/18 Total Tonnes	2018/19 Total Tonnes	Change
Residual	412,224	409,006	(3,218)
Mixed organic	16,000	16,200	200
Green	51,795	49,038	(2,757)
Wood	21,297	19,850	(1,447)
Kitchen	28,075	32,527	4,452
Other	13,661	12,252	(1,409)
Budget 2018/19	543,052	538,873	(4,179)

5. Depreciation

- 5.1 The budget for 2018/19 of £8.6 million is £0.4 million higher than in 2017/18. This reflects the outcome of the property valuation for the last audited accounts where full property valuations were undertaken by independent surveyors and the values increased – hence an increase in the depreciation.
- 5.2 The largest element of depreciation relates to the SERC and totals £8.1 million. It should be noted that for depreciation calculations, the SERC has to be separated out into its main components and each key component has to be depreciated over its own expected life.
- 5.3 The value of the SERC is £194.2 million and components are depreciated over periods up to 23 years.
- 5.4 Depreciation for the remaining assets have been calculated using the latest audited accounts and subsequent change in the asset registers.

6. Financing

- 6.1 The financing costs have increased from £5.1 million in 2017/18 to £5.6 million for 2018/19 primarily as a result of the acquisition of transfer station sites.
- 6.2 The largest component of financing costs relate to borrowing for the construction of the SERC and totals £5.0 million. The loans are at arm's length and from a borrowing perspective the boroughs are like any other lender with the loan agreements specifying the relationship with the Authority and including a rate of interest of 7.604%.

6.3 The budget assumes the transfer station sites will be purchased at the commencement of 2018/19 partly from borrowing and partly from utilising cash balances. The interest on this loan is budgeted at £0.6 million. Details for this can be found in the confidential report later in today's agenda.

7. Premises

7.1 The budget for 2018/19 of £2.6 million is £1.7 million less than the £4.3 million in 2017/18. The majority of this is due to the removal of site rents resulting from the purchase of transfer station sites.

7.2 Part of this reduction is offset in other budgets by an increase in Financing Costs and the new Revenue Funding of Debt.

8. Employees

8.1 The 2018/19 budget of £1.8 million is £0.2 million higher than the 2017/18 level. This is principally to allow for the delivery of business plan objectives, but also includes growth for inflation and pension contribution increases.

8.2 The establishment is planned to grow by 3.1 full time equivalent (FTE) posts from 31.3 to 34.4 FTEs. This provision for new posts relate to data projects (0.6), backfilling to deliver new office, IT and other projects (0.6), PPP contract audit work previously performed by auditors (0.4), reorganisation of site weighbridge work (0.5) and waste minimisation (1.0).

8.3 Putting this into context the Authority employed 88 FTE in 2012/13, 42 FTE in 2014/15 and over the last few years FTE numbers moving around at just over 30 focussed mainly on delivery of business as usual service. However with more complexity (e.g. financial management of the PPP contract) and a more ambitious business plan with a number of objectives and projects to deliver, appropriate resourcing will be required.

8.4 For projects, a decision to recruit will only be made if and when necessary, for example when projects are likely to progress beyond the initial feasibility stage.

9. Supplies & Services

9.1 The 2018/19 budget for Supplies & Services is £0.9 million, £0.4 million lower than the 2017/18 level.

9.2 The expiry of leases, £340,000 which now becomes the PPP contractor's costs and stripping out of unused fees (consultants etc.) of £62,000 account for the majority of the reduction in this budget.

10. Revenue Funding of Debt

10.1 The loan financing 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 to actually repay the loan.

10.2 The Revenue Funding of Debt is the element to actually repay the loan and totals £0.7 million.

10.3 The report later in today's agenda details the implications of purchasing the transfer station sites on the cashflow, accounting and budgeting (section 7 and appendix 3 of that report). It explains that the site purchase is essentially the purchase of land and this has a different impact on the finances compared to the purchase other assets – resulting in this new line in the budget.

11. Concession Accounting Adjustments

11.1 Essentially under a PPP arrangement a contractor pays for the construction of an asset and then recovers it's investment over a long period through its operational charges to the local authority.

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 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.

11.4 The concession accounting adjustments over the term of the contract were agreed with the auditors during the approval of the latest accounts. For 2018/19 they total £4.1 million, compared to £3.5 million in 2017/18. This reduces overall costs and levies by £0.6 million.

12. Growth and Savings

12.1 The majority of Authority spending is committed under long terms contracts (PPP) or agreements (loans) or governed by accounting requirements (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 have ensured a focus on savings across areas where managers are able to exercise some control. This included budget managers reporting their 2018/19 plans and proposed savings to a budget challenge session with the Chair, Vice Chair and Chief Officers.

12.3 The tables below identify the growth and savings included within the 2018/19 draft budget and separates out real growth and savings from other movements between 2017/18 and 2018/19 budgets.

12.4 Summary table:

	£ 000's
Budgeted levies 2017/18	59,880
Growth	2,587
Savings	(2,926)
Other movements	309
Budgeted levies 2018/19	59,850

12.5 Growth table:

Area	Explanation	Growth £ 000's
Waste Transport and Disposal	Pricing inflation on residual waste (£1,235k), haulage (£171k), food (£129k), green (£37k), increase in number of mattresses (£79k) and other tonnage movements (£12k)	1,663
Financing Costs	Growth reflecting interest payments on new borrowing to purchase transfer station sites (£639k)	639
Premises	Increase in rates (£62k), utilities (£10k), security services (£20k), and a range of other small increases (£13k)	105
Employees	New posts and reorganisations (£105k), inflation and increments (£37k), increase in pension contributions (£24k)	166
Supplies and Services	Rise in insurance premiums (£10k) and other minor items (£2k)	12
Other Income	Small reduction in other income (£2k)	2
		2,587

12.6 Savings table:

Area	Explanation	Saving £ 000's
Waste Transport and Disposal	Savings from wood and mixed organics procurements (£437k), optimisation of transport arrangements (£168k), reduced tonnages (£81k)	(686)
Premises	Removal of rental budgets (£1,775k), reduced SERC rates resulting from Suez negotiations with Valuation Office (£42k) and other minor reductions (£5k)	(1,822)
Employees	Reorganisation of Twyford management structure (£15k)	(15)
Supplies and Services	Expiry of leases with responsibility moving to contractor under the PPP contract (£340k) and stripping out unused consultancy budgets (£62k)	(402)
		(2,926)

12.7 Other movements table:

Area	Explanation	Increase / (Decrease) £ 000's
Depreciation	A full independent property valuation was undertaken and agreed with auditors for the last accounts. Depreciation has been calculated using the updated valuations (£373k)	373
Financing Costs	Reduction in SERC financing costs arising from timing of capital contributions (£132k)	(132)
Revenue Funding of Debt	Reflects the repayment of borrowing to finance the acquisition of transfer station sites (£684k)	684
Concession Accounting Adjustment	Per accounting requirements and agreed with auditors for the last set of accounts (£616k)	(616)
		309

13. PAYT / FCL split

13.1 PAYT costs relate primarily 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 Where directly attributable, costs are allocated to the PAYT or FCL as appropriate. Where costs are applicable across both PAYT and FCL (e.g. SERC depreciation relates to both HRRC residual waste and borough collected residual waste) these are apportioned based on the relative WTD tonnages in PAYT and FCL. The breakdown of the budget between PAYT and FCL activities is as follows:

PAYT	2017/18 £000's	2018/19 £000's	Change £000's
Waste Transport and Disposal	37,582	38,603	1,021
Depreciation (SERC)	7,001	6,955	(46)
Financing Costs (SERC/WLRWS)	4,430	4,288	(142)
Premises (SERC)	1,337	1,292	(45)
Concession Accounting Adjustment	(2,990)	(3,502)	(512)
PAYT Levy	(47,360)	(47,636)	(276)
Total	0	0	0

FCL	2017/18 £000's	2018/19 £000's	Change £000's
Waste Transport and Disposal	7,033	6,989	(44)
Employee	1,653	1,803	150
Premises	2,951	1,279	(1,672)
Supplies and Services	1,317	927	(390)
Depreciation	1,226	1,645	419
Financing	629	1,278	649
Revenue funding of Debt	0	684	684
Concession Accounting Adjustment	(459)	(563)	(104)
Non Levy Income	(1,830)	(1,828)	2
FCL Levy	(12,520)	(12,214)	306
Total	0	0	0

Note that the concession accounting adjustment has been separated out as detailed in Section 3.3.

14. PAYT Levy Income

14.1 The PAYT charge to boroughs relates primarily to the waste that boroughs deliver to transfer stations and is to cover the cost to the Authority for disposing of that waste.

14.2 The PAYT charge for 2018/19 is £47.6 million a small increase of £0.3 million or 0.6% from 2017/18.

14.3 The table in Appendix 1 (part 2 item) shows the proposed PAYT rates.

14.4 These rates represent the average cost to the Authority for the disposal of materials. They reflect the blended price paid to a number of contractors and for residual waste also the costs of the SERC.

14.5 These rates will be applied to the 2018/19 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 waste actually disposed.

14.6 In addition to this, the Authority manages non-household waste from HRRC sites and incurs transport costs. On a similar basis the average transport charges for 2018/19 are provided in Appendix 1 (part 2 item).

14.7 Following harmonisation of transport operations during the current year, the transport charge for residual and organic collected waste for 2018/19 will be a blended charge.

14.8 Using tonnage forecasts from boroughs, the PAYT charges for 2018/19 are as follows:

Borough	2017/18 PAYT charge £000's	2018/19 PAYT charge £000's	Growth £000's	% Growth
Brent	8,922	8,882	(40)	(0.5%)
Ealing	10,627	10,084	(543)	(5.1%)
Harrow	5,946	6,383	437	7.3%
Hillingdon	8,480	8,557	77	0.9%
Hounslow	7,533	7,744	211	2.8%
Richmond	5,852	5,986	134	2.3%
Total	47,360	47,636	276	0.6%

14.9 It is worth noting that the above levies use borough forecasts for the volumes of waste, including any implications from service changes.

14.10 On this basis it is also worth repeating that should borough waste volumes be lower than they've originally forecast, then each quarter they will be refunded a sum to ensure they pay only for what is actually delivered. If their volumes are higher they will be asked to pay for the extra waste.

15. FCL Income

15.1 The FCL charge primarily relates to the cost of managing the treatment and disposal of household waste delivered to HRRC sites. It also includes the Authority's administration, nets off other income and includes a portion of SERC costs. The charge is set to recover all FCL costs and will be apportioned using the 2018/19 Council Tax base per the CTB (October 2017) returns provided by the boroughs.

15.2 The FCL charge for 2018/19 is £12.2 million which is a small reduction of £0.3 million or 2.4% from the 2017/18 level.

15.3 Using the 2018/19 Council Tax base, the FCL charge is as follows:

Borough	2017/18 FCL charge £000's	2018/19 Council Tax base	2018/19 FCL charge £000's	Change £000's	% Change
Brent	2,053	93,438	2,001	(52)	(2.5%)
Ealing	2,533	115,469	2,474	(59)	(2.3%)
Harrow	1,895	86,335	1,849	(46)	(2.4%)
Hillingdon	2,165	98,666	2,113	(52)	(2.4%)
Hounslow	1,893	86,219	1,847	(46)	(2.4%)
Richmond	1,981	90,157	1,930	(51)	(2.6%)
Total	12,520	570,284	12,214	(306)	(2.4%)

15.4 It should be noted that overall levies (taking both PAYT and FCL together) are marginally down from 2017/18.

16. Other Income

16.1 The 2018/19 budget is £1.8 million, almost identical to 2017/18. Trade waste income is the largest component at £1.2 million. We are conscious that the market trade waste prices, particularly for residual waste, are more competitive. Therefore for 2018/19 the trade waste prices have been reviewed with the intention of maintaining income by bringing in more trade.

16.2 The proposed main trade/DIY charges per tonne are provided below:

Type of waste	2017/18 £	2018/19 £
Trade waste residual and wood	195.00	160.00 for account customers and £165.00 for others
Trade waste recycling	97.50	80.00
Asbestos (Households only)	272.00	272.00
Mattresses (per mattress)	12.26	10.00
Bulky items	218.00	218.00

16.3 The effect of these price changes will be kept under review over 2018/19. Given the low value of trade income in context of the overall budget it is proposed that the Treasurer has delegated authority to take corrective action (i.e. change the above rates) should the reviews identify any risks.

17. Capital

17.1 Other than the capital budget for the purchase of transfer station sites, there are no new capital budget requirements for 2018/19. The budget for the transfer site purchase is detailed in the confidential report later in today's agenda.

17.2 It is worth noting the following capital budgets. These are balances on capital works still in progress which were previously approved by the Authority and will be rolled forward until completion or not required.

- Construction of a bulking facility at Victoria Road (£1.1 million)
- Twyford improvements (£738,000)
- Replacement Loading Shovel (£240,000)
- Contract Management Software (£30,000)
- New Head Office (£2.5 million)
- Replacement IT (£200,000)

18 Reserves

18.1 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.

18.2 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 better planning and budgetary control.

18.3 Identifying known risks facing an Authority provides a useful basis for determining a suitable level of reserves for managing risk. The specific risks and potential costs and likelihood that could be associated with them are as follow:

Risk Description	Likelihood	Financial Risk (£000's)
From time to time, a new market will emerge for recycling of specific waste streams (as opposed to landfill) e.g. carpets. The Authority tests and uses these markets cautiously, however these new markets carry a risk of both market and supplier failure. Should this arise there will be additional costs in making new arrangements to redirect and dispose of waste.	High	£300 (based on 2014/15 experience with mattresses)
Collapse of recycling markets leading to materials entering the residual waste stream	Medium	£200 (notional)
Whilst the contractor bears most of the risk in the event of the loss/closure of a transfer station, in major events like this there is a possibility of unforeseen additional costs in implementing and operating alternative arrangements. Therefore it would be prudent to set aside something for these uncertainties.	Medium	£200 (notional)
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 indexation/inflation	Medium	£500 (representing approx. 1% higher indexation)
With a changing market environment and in particular high inflation, procurement exercises could result in higher prices	High	£500 (representing 10% on key procurements in progress)
Increasing out of hours volumes and implications on service availability will lead to additional costs	High	£600 (based on pricing difference on 10,000 tonnes)
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 DIY income despite more competitive pricing	Medium	£300 (representing 25% of trade income)
Purchase of transfer station sites doesn't happen in 18/19 meaning we'll still need to pay rent	Medium	£300 (representing the lost savings)
Risks / costs will arise from the complex PPP contract as a result of terms that are unclear or ambiguous in relation to the day to day operation and running of services.	Medium	£600 (based on contingent liability in last year's accounts)
Borough changes in waste collection services and changing social / demographics can have a significant impact and increase waste flows to HRRC sites. As these form part of the	Medium	£700 (representing a 10% growth in HRRC waste)

fixed cost levy there is a risk of extra costs that will need to be borne by the Authority		
Target level for reserves		£4,200

18.4 The target level of reserves for 2018/19 of £4.2 million is lower than the £5.6 million in 2017/18 primarily due to the removal of the risks in relation to SERC depreciation (£1.5 million) – the external auditors have agreed our methodologies and this risk has passed.

18.5 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 £4.2 million represents a prudent and not overly cautious target level for reserves.

18.6 The forecast reserve position for the year ending 31 March 2018 is:

	£000s
Reserves available to manage risks 31 March 2017 per approved accounts	3,699
Forecast surplus for 2017/18 per period 8 budget monitoring report	411
Forecast position for 31 March 2018	4,110

18.7 The gap between the target and forecast level of reserves of £0.1 million is not significant. Therefore at this stage there is no need to try and identify a means of building up reserves to the target level.

19 Medium and Long Term Plan

19.1 The plan reported to the December Authority meeting has been updated for the latest 2017/18 year end forecast.

19.2 The key messages from the plan remain unchanged:

- Volume of waste is the key driver of spend
- The effect of inflation is dampened by the PPP contract
- The Authority will be debt free at the end of the plan
- Healthy cash balances are maintained to manage any liquidity risk

19.3 The key charts from the plan are provided in Appendix 1

20 Borough Responses to Budget Consultation

20.1 The borough responses to the 2018/19 budget proposals can be found in Appendix 2. 4 responses were received. There were no common themes (i.e. raised by 3 or more boroughs) this year to respond to within this report.

21 Financial Implications

21.1 The financial position and performance are provided in the report.

21.2 It is a statutory requirement for the Authority to set a balanced budget (Local Government Finance Act 1992) and to set the levy for constituent boroughs by 15 February (Joint Waste Disposal Authorities (Levies) Regulations 2006).

22 Legal Implications

20.1 There are no legal implications of this report

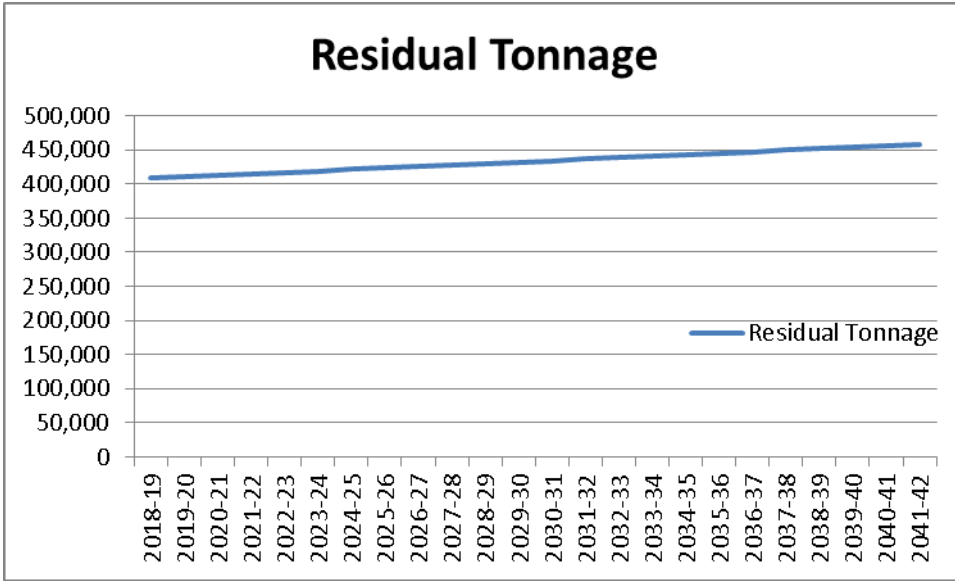
23 Impact on Joint Waste Management Strategy

23.1 The proposed Annual Budget has been set out in this report to demonstrate that the Authority is supporting the boroughs to deliver improved value for money to its residents in line with Policy 7

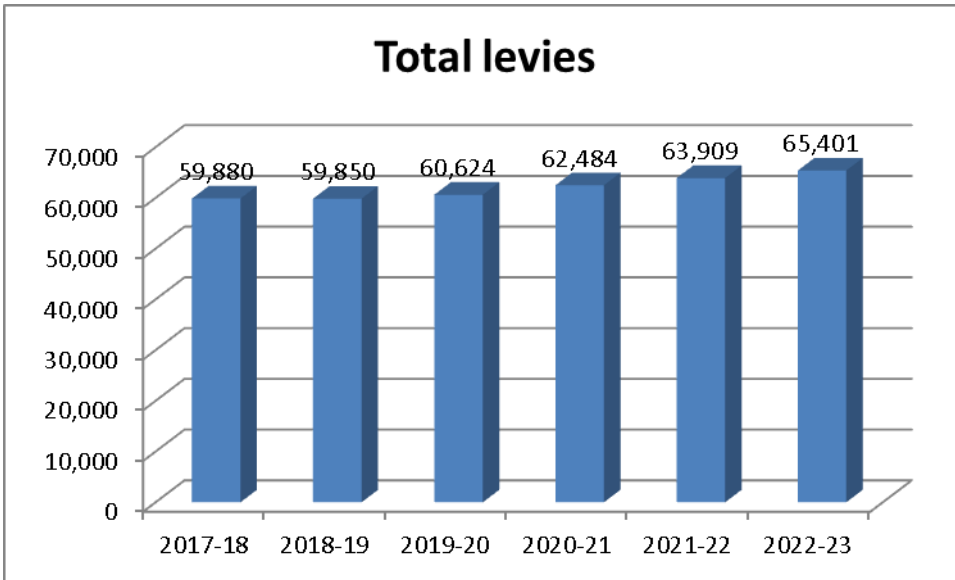
23.2 Policy 7: The West London Waste Authority and constituent Boroughs will seek to provide waste management services that offer good value, that provide customer satisfaction and that meet and exceed legislative requirements.

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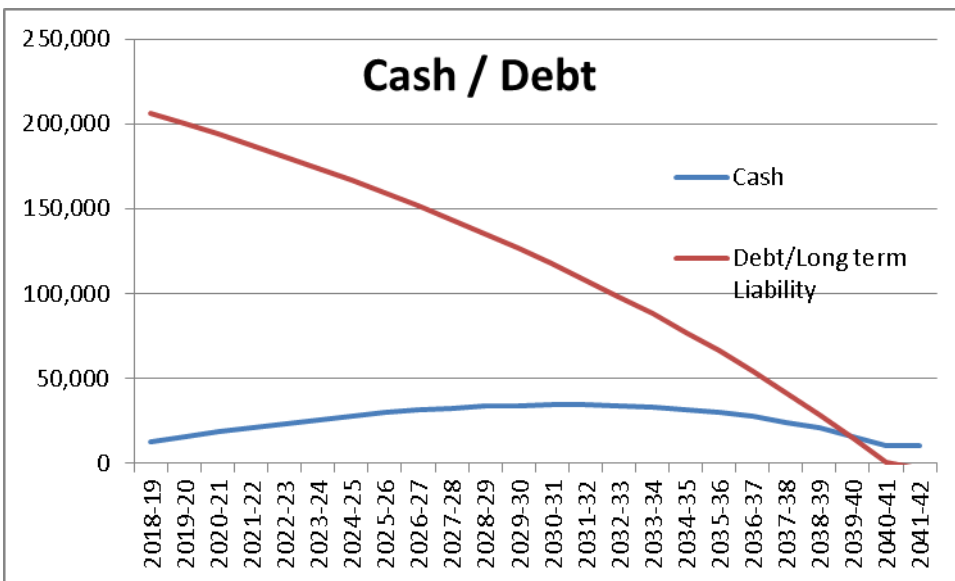
Appendix 1: Medium Term and Long Term Plan Charts



The plan assumes 0.5% waste volume growth per year and 4.0% inflation per year.



This chart shows the resulting growth in levies dampened by the PPP contract pricing mechanism



The Authority will be debt free at the end of the PPP contract term and will hold healthy cash balances to manage liquidity risk throughout the term

Appendix 2: Borough Consultation Responses



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Ian O'Donnell- Treasurer
West London Waste Authority
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4th January 2018

Dear Ian,

Response on the Consultation regarding the WLWA Budget and Levy for 2018/19.

Brent Council welcomes the opportunity to respond to the WLWA on its draft budget proposals for 2018/19 and the Authority's efforts in constraining overall expenditure within existing levels.

In light of the budget pressures facing Local Authorities Brent is pleased to see the PAYT and fixed cost levies have not been increased for 2018/19. Brent's budgetary plans are on a 3 year time horizon and it would be useful if the levy budgets for the next 3 years were provided to enable Local Authorities to complete medium term financial planning.

Overall Brent is broadly supportive of the proposals.

Yours sincerely,

A handwritten signature in black ink that reads "Conrad Hall".

Conrad Hall
Chief Financial Officer

Dear Jay,

Thank you for your timely reminder and apologies for not coming back to you sooner,

I do not have any specific comments or points to raise and I am content with the proposed budget for 18/19 from Ealing's perspective.

I found your face to face run through with Shabana and I helpful.

Thanks
Ross

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27th December 2017

Dear Ian

Thank you for your letter of 12th December 2017, which sought the views of constituent boroughs on the 2018/19 draft budget.

I note that the budgeted levies for 2018/19 remain at a similar level as current year, which is positive news, given that the levies have taken into account pricing inflations and growth. Within its budgets, there is a plan again to increase the Authority's HR establishment. According to the report, the growth of 3.1 FTEs is primarily for the delivery of projects and increased staffing in Waste Minimisation team. It'd be useful to make it clear whether these new posts are planned on a fixed term or permanent basis, and a justification in the case of these being permanent.

The growth on WTD of £1.67m mainly relates to the pricing inflation on residual waste although the PPP contract should mean that there is no / very little price inflation on most of the contract waste (as reported in paragraph 4.4). Whilst cost pressures arising from contract indexation uplifts are inevitable, I expect that the Authority would take a strategic approach to minimise the cost impact on constituent boroughs and/or to explore commercial opportunities to reduce its overall net costs. There was potential income relating to power generation and the processing of 3rd party waste at the SERC as suggested in previous budget reports. There was also exploratory work planned on the development of MRF and anaerobic digestion plant with a budget allocated in 17/18. However I cannot see any new income streams reflected in the draft budget. It'd be useful to provide boroughs with an update on these.

I understand that a number of waste disposal and transport contracts are being re-procured and the exempt Appendix 1 provides an indicative rate for each material type. In terms of the transport charge for organic waste, this is shown as a separate charge whereas the cost of transport (for green waste collection from our HRRC) is included in the PAYT disposal rate under the current disposal contract. Clarifications are needed on whether we are expected to pay both the PAYT rate and transport charge listed in Appendix 1 under the new contract.

Under Capital section, there are carry forward budgets for various capital works notably a £2.5m for a new head office. Given the extent of financial challenges facing all boroughs, I'd suggest that a business case should be produced for capital works not yet started and robustly challenged to ensure that the spend represents value for money.

I agree in principle that a reasonable level of reserve should be maintained to mitigate financial risks and uncertainties. LB Harrow has no financial capacity for any 'in-year' additional levy.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'D. Calvert'.

Dawn



HILLINGDON

LONDON

Ian O'Donnell
Treasurer, WLWA

By email to: O'Donnell@ealing.gov.uk

Ref: PW/AP/322

5 January 2018

Dear Ian

RE: West London Waste Authority (WLWA) Levy Consultation 2018/19

Thank you for your email/letter of 12th December 2017, which sought the views of constituent authorities on the 2017/18 draft budget and levy as outlined in the report.

1) Reserves

Hillingdon welcomes the reduction in the reserves requirement and the one-off disbursement of reserves during 2017/18 to Boroughs. However, the stated reserves requirement of £4.2m is higher than the £3.7m projected level of reserves, which the report states should be sufficient. If this is the case, then perhaps the target level of reserves could be reduced further to £3.7m.

2) 2018/19 levies

The 2.4% reduction in the Fixed Cost Levy is welcome, although Hillingdon would welcome an explanation as to how this has been derived. It is understood that the Authority will wish to revisit the methodology of calculating the PAYT and FCL levies at a later date following initial discussions with Boroughs last year. Hillingdon would welcome any amendments which would produce a sustainable reduction in the PAYT rate.

3) Staffing

Hillingdon would again question the level of overall staffing (growth of 3.1 FTE in the report), given the current financial climate in local government. Hillingdon notes that the overall employee budget is increasing by £150k in 2018/19 which follows



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increases made to the staffing budget in 2017/18 and 2016/17. With the majority of waste disposal now under one long term contract we would expect complexity and risk to be reducing and similarly would expect the WLWA to reflect this reduction by reducing establishment costs.

The staffing increase includes a further 1.0 FTE for waste minimisation, on top of prior year increases to this resource. Hillingdon would be interested to see the justification for this investment evidenced by prior efficiencies and future planned savings being generated by this additional resource.

4) PAYT rates - Materials

Hillingdon welcomes reduced disposal costs from treating soil and rubber together and the sharp fall in mixed food/green waste. We continue to challenge the use of blended rates for disposal costs and would repeat our request from previous years that there is a level of transparency on the residual waste disposal rates.

5) Capital budgets

Although there are no new capital requirements for 2018/19, Hillingdon would seek more information on the rolled forward capital schemes given the level of investment involved. Of primary concern is whether the schemes still offer value for money and business benefits.

Yours sincerely



Paul Whaymand
Corporate Director of Finance

- cc Cllr Keith Burrows, Cabinet Member for Planning, Transportation & Recycling and London Borough of Hillingdon's representative on the West London Waste Authority Board
Jean Palmer, Deputy Chief Executive & Corporate Director, Residents Services
Perry Scott, Deputy Director, Development & Assets, Resident Services
Stuart Pohler, Waste Services Manager
Andy Evans, Deputy Director, Corporate Finance
Gregory Pike, Finance Manager, Residents Services
Emma Beal, Director, WLWA
Jay Patel, Head of Finance & Performance, West London Waste Authority