

**2024/25 Budget****SUMMARY**

This report sets out the 2024/25 budget proposal and the key points are as follows:

- Growth forecast in levies is 8% (£5.5 million) in the context of inflation being higher than budgeted for prior year (4%), providing additional services to Boroughs to reduce residual waste (1.5%) and inflation for the current year budgeted at 6.5% but dampened by the PPP contract for residual waste and savings made where appropriate (2.5%).
- The Authority is budgeting to pay boroughs PPP income (i.e. electricity) totalling £4.2 million by September 2024. The growth in levies offset against the PPP income is therefore reduced to 1.9%.
- A programme of work totalling £2.8m over 3 years (£1.2 million in 2024/25) is to be funded from the Authority's share of PPP income and will deliver carbon and financial savings directly to boroughs. In the prior year, this was budgeted at £1.1 million.

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the 2024/25 budget for consultation
- 2) Note the budget for work to be met from PPP income
- 3) Note the Pay As You Throw (PAYT) rates in section 15 and the PAYT levy made up of two components totalling of £57.4 million
- 4) Note the Fixed Cost Levy (FCL) of £15.2 million in section 16
- 5) Note the recommended trade and construction prices in section 17 and delegated authority to the Treasurer to change these in year should the need arise
- 6) Note the new proposed capital budgets in section 18
- 7) Approve the spend of £450,000 on containers for the Social Value and Reuse programme
- 8) Note the target level of reserves of £16.1 million to act as a buffer for managing risks and avoiding supplementary levies, in section 19
- 9) Note the Medium and Long Term Financial Plan in section 20

**1. Introduction**

1.1 The Authority is required to set an annual budget including levies and charges. This report sets out the 2024/25 draft budget which will be subject to consultation with constituent boroughs. Following consultation, the final budget will be reported to the January Authority meeting for approval. The PAYT and FCL charges will then be levied.

1.2 The budget incorporates tonnage forecasts received from boroughs and the spending plans received from Authority managers which include delivery of business plan objectives. The draft budget has been scrutinised and adjusted following a budget challenge session with the Chair, Vice Chair and Chief Officers on 9 November 2023.

1.3 The report will also be shared and discussed with borough Environment Directors and Finance Directors.

## 2. Executive Summary

2.1 This year amidst the continued economic uncertainty and financial challenge, the 2024/25 budget proposal continues to aim to provide boroughs with greater stability and better predictability (a key theme identified in the Finance Strategy).

2.2 The levies for the Authority to be passed through to boroughs has increased by £5.5 million, a growth of 8% from 2023/24. In context, the increase is summarised in the below table and a detailed description follows.

<b>Total increase in levies</b>	<b>£'000</b>
Tonnage increase	1,512
WTD Inflation	1,353
General inflation	150
Insurance	1,200
Lakeside - variance to prior year budget and forecast	404
Business rates - variance to prior year budget and forecast	858
<b>Total</b>	<b>5,478</b>

2.3 It is worth noting that the Authority takes a prudent and risk based approach on contracts and aims to build mitigation within our contracts. Whilst the PPP contract is dampened by the impact of inflation, it also has mechanisms built in to allow for additional income if certain criteria are met. The last couple of years have seen the Authority and boroughs benefit from the additional income off the back of high electricity prices, and this has mitigated to a certain extent against the high rise in inflation which has impacted on spend. The growth in levies set off against the PPP income to be shared with boroughs is 1.9% against the 8% being shown above without the shared PPP income. However, inflation and energy prices can shift upwards and downwards, and the additional income we have been receiving is not a guaranteed income stream to the Authority.

2.4 In the prior year, the budgeted inflation was 10% which was 3.8% lower than the actual of 13.8%. Therefore, the proposed 2024/25 budget has growth based on the inflationary pressures from last year following through as well as an increase of the budgeted 6.5% inflation. Key items to note that varied from the 2023/24 budget were:

- 1 The actual Lakeside gate fee actual came in at £5 higher than budgeted, meaning that there was a £400k impact on the budget.
- 2 Business rates had gone through a valuation process and on average were 38% higher than budgeted, which was an impact of £858k on budget.

2.5 As mentioned, inflation has been budgeted in 2024/25 at 6.5% on the relevant contracts. Within Waste Transport and Disposal costs, the PPP contract with WLER dampens inflation from 6.5% to 2.2% due to the pricing mechanism which protects a significant amount of tonnages from the impact of inflation. Savings have also been identified where spend is not required, or can be outsourced at a cheaper alternative but has a much more positive impact to the Authority.

2.6 Insurance premiums within the waste industry have increased significantly and in prior years, the Authority was able to absorb this cost. However, with the increase of fires, floods and heat, the costs are too significant to absorb. Insurance premiums have increased by 518% since 2016 with general insurance companies finding the

waste industry being high risk. The cost of the WLER insurance premium has been included in 2024/25 under the PAYT SERC element.

- 2.7 In 2023/24, West London Waste Authority have continued to provide a more greater and varied service to boroughs, meaning that whilst there are an increase in tonnages budgeted for 2024/25 within certain material streams (mainly recyclables), the overall mission of reducing residual waste has been effective. The impact of this on the budget is a growth of 1.5%.
- 2.8 With the emissions trading scheme on the horizon, West London Waste Authority are committed to working collaboratively with boroughs on ways to reduce fossil carbon in waste, and ultimately reduce residual waste. There is a risk that boroughs could see their levies increase if we do not continue in our programmes and projects of waste reduction, and the budget allows for more collaborative working to mitigate against some of these financial risks.
- 2.9 The 2024/25 budget anticipates PPP income (estimated total of £6.3 million) and proposes to pay boroughs £4.2 million by September 2024 apportioned using the final approved council tax base (i.e. approx. £0.7 million each). Budgeting for the payment of £4.2 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.
- 2.10 The Authority takes a full system approach to managing costs. This is illustrated by the Abbey Road budget, where expenditure has increased by 10% (£117k), allowing more of Brent Council's household waste to be managed through the site and delivering Brent Council a saving of £1m per year.
- 2.11 Most of the Authority's spending relates to borough activity levels which are met/serviced through contracts. The key drivers of costs and therefore levies are the boroughs' own forecast activity levels and the contractual inflation. The key long term mitigation of spend and therefore levies is managing the waste flows. These are largely within the control of boroughs. The budget for 2024/25 also continues to identify the 4 key programmes of work to be met from the Authority's share of PPP income already received. These programmes were established in 2023/24 and there was a total of £2.8 million budget allocated. In 2023/24 the budget was £1.1 million and for 2024/25 the budget is at £1.2 million. The programmes of work have been developed to identify interventions where boroughs will see the benefits in their own budgets - essentially spend (Authority) to save (boroughs) programmes.
- 2.12 The table below sets out the 2024/25 budget and the movement from the 2023/24 budget. The latest 2023/24 forecast is also included to provide context and illustrate the current level of activity. The spend lines have also been split out to separate spend from business as usual activities and those from the programme of work funded by PPP income, providing better transparency.

	2023-24 budget £ 000's	2023-24 forecast £ 000's	2024-25 budget £ 000's	Changes in budgets £ 000's
<b>Business As Usual Costs</b>				
WTD - Waste Transport and Disposal	51,531	52,255	55,134	3,602
Depreciation	10,375	10,375	10,712	338
Financing Cost	4,971	4,971	4,829	(143)
Premises	2,603	3,471	3,681	1,077
Employees	2,617	2,874	2,960	344
Supplies and Services	1,187	2,279	2,500	1,314
MRF Service Costs	2,256	3,423	5,804	3,548
Revenue Funding of Debt	984	984	1,006	22
Concession Accounting Adjustments	(4,570)	(4,570)	(4,666)	(96)
<b>BAU costs</b>	<b>71,954</b>	<b>76,060</b>	<b>81,960</b>	<b>10,006</b>

<b>Programme of work funded by PPP income</b>				
Depreciation	107	107	158	51
Premises	45	45	103	58
Employees	308	279	267	(41)
Supplies and Services	660	660	797	137
Other Income			83	(83)
Depreciation			5	5
<b>Programme costs</b>	<b>1,120</b>	<b>1,091</b>	<b>1,247</b>	<b>127</b>

<b>Total costs</b>	<b>73,074</b>	<b>77,151</b>	<b>83,207</b>	<b>10,133</b>
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<b>Income</b>				
Levies	67,116	67,364	72,561	5,445
MRF service income	2,256	3,423	5,804	3,548
Other Income	2,582	3,217	3,595	1,013
Programme costs funded by PPP income	1,120	1,120	1,247	127
<b>Total income</b>	<b>73,074</b>	<b>75,125</b>	<b>83,207</b>	<b>10,133</b>

<b>Total (surplus)/deficit</b>	<b>0</b>	<b>2,026</b>		<b>0</b>
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<b>PPP income disbursed to boroughs</b>	<b>6,300</b>	<b>12,729</b>	<b>4,200</b>	<b>(2,100)</b>
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2.13 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, premises, supplies and services and levies, the inclusion of PPP income payable to boroughs and the funding of 3 programmes of work.

2.14 Note that the MRF activities have a neutral effect with costs being passed through to Ealing and Brent for the services provided. There is an increase in cost and income to reflect Brent being on board for this service.

2.15 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 2022 identified that two thirds of PPP income received in 2023/24 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, three programmes of work were identified:

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

Brief summaries follow. The programmes have been developed with borough colleagues and reported to stakeholders to monitor performance.

3.3 Citizen Perception - The purpose of the programme is to test and measure the understanding of residents regarding waste and its role in climate change.

Effective usage of the systems that are in place already would more than halve the residual waste generated in West London. WLWA officers are working with insights specialists and behaviour academics to identify mechanisms to shift the culture of residents towards valuing material and understanding the limitations/constraints of the system.

3.4 Social Value and Reuse – The purpose of this programme is to start moving material even further up the waste hierarchy to Reuse and Reduction. This is a programme designed to change the linear model of ownership and start the transition to a circular economy. Significant volumes of reusable items are brought to HRRCs in the area and are currently sent for recycling (material value). This programme of works is to start working with third sector and SMEs to develop a sustainable model for reuse and repair in West London.

3.5 Digital Twin – This is a programme of work developed with the Boroughs to help identify areas of savings and efficiency through integrating the data available across the different organisations.

The digitisation and integration of the data across the Boroughs and WLWA enables the system to be modelled to estimate future services impacts from changes required such as DRS, EPR and simpler recycling collections.

3.6 The above provides an outline of the three programmes of work. The programme spend 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. The aim is to generate long term savings for the boroughs. 2024/25 is the second year for these programmes.

3.7 WLWA is continuing to work collaboratively with boroughs to reduce their food in residual waste. This was initiated in 2020 where WLWA gave £0.5 million to each borough to increase food recycling and reduce food waste in residual.

#### **4. Waste Transport & Disposal (WTD)**

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

3.2 The 2024/25 WTD budget is £55.1 million, an increase of £3.6 million.

3.3 The residual waste budget is the key driver and represents 88% of the WTD costs (or 58% of all Authority costs – hence the strategic significance). For 2024/25 this is based on boroughs’ forecasts of residual waste which are 0.2% lower than the 2023/24 budget and reflecting the current level of activity.

3.4 Looking at the complete picture, the 2024/25 budgeted tonnage is made up of the following materials:

<b>Material</b>	<b>2023/24 Budget Tonnes</b>	<b>2024/25 Budget Tonnes</b>	<b>Change</b>
Residual	417,757	416,951	(806)

Green	47,321	55,243	7,922
Wood	18,945	18,700	(245)
Kitchen	32,616	31,777	(839)
Tyres*	8	8,214	8,206
Gypsum	172	308	137
Plastic Hard	93	93	0
Soil + Rubble	7,841	7,600	(241)
Dry Mixed Recycling	24,948	48,040	23,092
Cardboard	0	3,300	3,300
Asbestos	12	17	5
<b>Budgeted tonnages</b>	<b>549,711</b>	<b>590,241</b>	<b>37,225</b>
Mattresses (units)	86,521	137,696	51,175

3.5 \* Whilst tyres was under budgeted in 2023/24, the budget impact is £30,000 and has been corrected in 2024/25.

3.6 No significant service changes were identified by boroughs. Borough forecast volumes are on par with prior year's budget setting exercise but in overall terms show a small growth on current activity levels.

3.7 To calculate the budgeted spend, RPIX of 6.5% (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 5.8% to 7.1% with Septembers RPIX standing at 6.0%.

3.8 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. Whilst the majority of the Authority's contracts are impacted by inflation, the PPP contract with WLER has been designed so that it is protected from the significant increases in inflation. To put into context, a significant amount of tonnages are protected from the impact of inflation over the whole life of the contract. For 2024/25, the impact of inflation on this contract is 2.2% against the HM Treasury range of 5.8% to 7.1%. This is highlighted in the sensitivity analysis in section 20.

3.9 The Lakeside contract against prior year's budget sees a significant increase. This is because the rate in 2023/24 was budgeted at £4.50 less than the actual, which is £0.4 million spend we have had to budget in 2024/25 as well as the additional inflation of 6.5%.

3.10 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 2024/25 of £10.9 million is £0.4 million higher than in 2023/24. This principally reflects property asset valuations and capital additions.

4.2 The largest element of depreciation relates to the SERC (Sevenside Energy Recovery Centre) and totals £9.2 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 £5.0 million in 2023/24 to £4.8 million for 2024/25 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 £4.4 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 £0.4 million and represents a PWLB loan at 2.24%.

## **7. Premises**

- 7.1 The overall premises budgets for 2024/25 of £3.8 million are higher than the cost of £2.7 million in 2023/24. This is reflective of the budget for 2023/24 being significantly lower to the forecast of £3.5 million due to higher than budgeted business rates following a valuation. This meant that in 2023/24, business rates were on average 38% higher than budgeted (£0.86 million). The 2024/25 budget for premises takes this into account, and has applied a small increase.
- 7.2 The largest component of the premises costs are business rates which account for £3.3 million, of which SERC rates make up £2.1 million and transfer stations £1.0 million.

## **8. Employees**

- 8.1 The 2024/25 employee budgets of £3.2 million is £0.3 million higher than the 2023/24 level. This growth relates principally to wage inflation anticipated in 2023/24 at c. 4.5% and then a budgeted wage inflation in 2024/25 at 5%.
- 8.2 Savings have been recognised within Corporate Services with the reduction of head count. Within Programs, a role has been removed due to it being outsourced to provide a better rounded service.
- 8.3 The 2024/25 establishment of 42.2 full time equivalent (FTE) posts is a decrease of 0.5 from the previous year.
- 8.4 Putting this into context the Authority employed 32 FTE in 2014/15 and over many years FTE numbers have gradually increased to close to 40. The size of the staffing establishment numbers remains small and stable whilst providing the resource to drive forward business plan objectives and undertake the increasing volume, variety and complexity of work. The staffing establishment has increased over time to support waste minimisation and working towards a circular economy.
- 8.5 Boroughs are increasing recycling through improved segregation of materials at the kerbside and at HRRCs/transfer stations, resulting in more material being managed by WLWA. Along with Brent joining Ealing in the dry mixed recycling contract, the volume of material to be managed by WLWA has increased. However, the overall establishment has stayed flat.
- 8.6 The staffing increase in Contracts/Operations team is directly linked to delivering more work on the Boroughs behalf. The Operational establishment will be sufficiently resourced to manage the additional materials from Brent Council at Abbey Road, and also provide ongoing operational support to Richmond Council for managing its two waste sites. The contract management and procurement function is also increasing slightly

to continue to procure and manage more services on behalf of the Boroughs, including establishing service level agreements between the partner authorities. The budgeted establishment will ensure that the team is resourced to procure in a smart and agile way that returns best value from the market, whilst delivering robust management of these multiple contracts and their interfaces. This delivers significant savings over delivering services through an integrated contract.

8.7 A notional breakdown of the establishment by area of activity and whether business as usual (BAU) or programme work is provided below:

<b>BAU Activity</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Change</b>
Contracts/Operations	19.0	21.0	2
Corporate Services	9.7	8.6	(1.1)
Projects	8.0	8.6	0.6
<b>Total</b>	<b>36.7</b>	<b>38.2</b>	<b>1.5</b>

<b>Programme Activity</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Change</b>
Contracts/Operations	1.0	1.0	0
Corporate Services	2.0	1.0	(1.0)
Projects	3.0	2.0	(1.0)
<b>Total</b>	<b>6.0</b>	<b>4.0</b>	<b>(2.0)</b>

<b>Total FTE</b>	<b>42.7</b>	<b>42.2</b>	<b>(0.5)</b>

## 9. Supplies & Services

9.1 The 2024/25 overall budgets for Supplies & Services is £3.3 million up by £1.5 million from 2023/24. There has been a focus on savings, and managers have slightly reduced business as usual spending.

9.2 The growth relates to the bi-annual SERC insurance which has increased by 518% since 2016. To put this in context, the bi annual insurance in 2016-16 was £223k, and this had increased to £1.4m for 2020-22. The insurance market in this industry continues to be challenging due to market rates and insurers appetites deteriorating. With the additional impact of increased fires at transfer stations, it is likely that the insurance premiums will be significantly higher and this has been budgeted for in 2024/25.

9.3 The key factors impacting on the insurance rates are fires, floods (on railway lines and roads due to storms and heavier than expected rain showers) and heat (due to the heatwaves we have been experiencing in recent years and the infrastructure not being fit for purpose). With the probability of all three of these increasing, the insurance market in this industry is challenging.

9.4 £0.8 million of this spend is for the programme of work detailed in section 3.

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

## 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 just over £1.0 million for 2024/25. This is marginally higher (£22,000) than 2023/24 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 2024/25 they total £4.7 million, compared to £4.6 million in 2023/24. 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 2024/25 draft budget. The tables separate out real growth and savings from other movements reflecting longer term decisions.

12.4 Summary table:

	<b>£ 000's</b>
Budgeted costs/levies 2023/24	67,116
Growth	6,719
Savings	(1,319)
Other movements	45
<b>Budgeted costs/levies 2024/25</b>	<b>72,561</b>

12.5 Growth table:

Area	Explanation	Growth £ 000's
Waste Transport and Disposal	Increased contract costs resulting from inflation for residual waste (£1.9 million), haulage (£150,000) increase in mattress tonnages (£400,000), increase in green tonnages (£600,000), increase in rubble tonnages (£150,000), increase in wood (£200,000), and a range of movements in other materials spends (£160,000)	3,607
Premises	Increase in business rates (£1.1 million)	1,146
Employees	Salary base rate for FY23/24 has a 4% NJC proposal uplift applied (£100,000), salary for 2024/25 has 5% uplift applied (£150,000), new staffing requirements and internal promotions (£135,000)	385
Supplies and Services	WLER insurance premium (£1.2 million), leasing of equipment at Abbey Road (£189,000), bin washing and pen stock valve increase (£70,000), outsourcing MI work for Programs (£80,000), maintenance of equipment (£15,000), increase in bank costs (£8,000), inflationary increases on contracts (£20,000)	1,581
		<b>6,719</b>

12.6 Savings table:

Area	Explanation	Saving £ 000's
Premises	Reduction in reactive maintenance at Abbey Road.	(11)
Employees	HR Assistant role removed (£30,000), and savings against role to be outsourced within Programmes (£50,000)	(81)

Supplies and Services	Savings made on leasing equipment at Abbey Road (£40,000), other savings identified (£20,000), consultancy not required (£68,000)	(130)
Other income	Acton Hub income (£84,000) and increase in sale of recyclable materials (£60,000)	(143)
Trade waste income	Reflective of an increase in pricing on residual and wood for account customers and non-account customers.	(855)
Agency income	Reflective of additional support required due to the increase in throughput of street cleansing material at Abbey Road for LB Brent.	(97)
		<b>(1,319)</b>

#### 12.7 Other movements table:

<b>Area</b>	<b>Explanation</b>	<b>Increase / (Decrease) £ 000's</b>
Depreciation	This principally reflects property asset valuations and capital additions.	388
Financing Costs	Reflecting reducing interest in repayment loans for SERC with boroughs	(143)
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	(96)
Programme work funded by PPP income	Funding of strategic projects per Finance Strategy	(127)
		<b>45</b>

12.8. Within the 2023/24 budget, the Authority had identified business as usual savings as per below. Commentary has been added in the table to show progress on these savings.

<b>Area</b>	<b>Explanation</b>	<b>Savings identified (£'000)</b>	<b>Savings/costs realised (£'000)</b>	<b>Commentary</b>
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)	(613)	Savings have been tracked on the residual contract year to date and an estimated £1.5m will be saved. Mattresses have seen an increase in units meaning the run rate to Mar24 shows that there will be an additional 44,000 units, meaning spend is predicted to be £227,000 higher than budgeted. Green waste has seen an increase in tonnages of c. 17,000 meaning a run rate budget overspend of c. £600,000.
Premises	Reduction in SERC related premises costs (£69,000)	(69)	600	The higher than budgeted business rates following national valuations saw an increase in spend at the SERC site of over £600,000.
Supplies and Services	Stripping out of unspent minor budgets (£11,000)	(11)	100	Savings made on stationery, consultancy and support services - £100,000 savings forecasted by end of Mar24.
Other Income	Growth in trade income (£400,000), sale of recyclables (£40,000) and other minor improvements (£14,000)	(454)	500	Trade waste income forecasted to end £500,000 higher than budgeted.
<b>Total savings</b>		<b>(2,673)</b>	<b>587</b>	

12.9. The above table demonstrate that whilst savings are not on target, the increase in tonnages is a direct impact of waste coming out of the residual waste stream. Savings are being made by the Authority where spend is not required.

12.10. Within the 2023/24 budget, there were also savings identified as part of the new programmes funded from the PPP income retained by WLWA which are shown below:

Programme	Budget saving	Actual saving (Forecast)
Communications	£200k	c.£160k
Social Value and Reuse	£533k	c.£550k
Digital Twin	£600k	c.£800k

12.11. The above table demonstrate that where boroughs are engaging with the Authority's funded programmes, the financial benefit is being recognised within their services through additional revenue, cost avoidance and reduction.

Borough engagement with the Programmes is critical to the delivery of whole system savings. The approach taken by WLWA has been to optimise the reduction of waste through capture of reuse and recyclable materials and help deliver the additional work through efficiency in the collections and HRRC capture network. This requires Borough team to implement operational change to realise the benefit.

12.12. The savings identified are within Borough spend, and not the Authority's. These are tracked via discussions with Boroughs and understanding the savings they have realised.

### 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. Insurance has been included in 2024/25 to reflect the increase in premiums due to three key factors detailed in section 9.

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

PAYT (disposal cost)	2023/24 £000's	2024/25 £000's	Change £000's
Waste Transport and Disposal	43,986	46,352	2,365
PAYT Levy (disposal)	(43,986)	(46,352)	(2,365)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

PAYT (SERC cost)	2023/24 £000's	2024/25 £000's	Change £000's
Depreciation (SERC)	7,934	8,304	371
Financing Costs (SERC)	4,070	3,976	(94)
Insurance (SERC)		1,084	1,084
Premises (SERC)	1,210	1,892	682
Concession Accounting Adjustment (SERC)	(4,114)	(4,215)	(102)

PAYT Levy (SERC)	(9,100)	(11,040)	(1,940)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

<b>FCL</b>	<b>2023/24 £000's</b>	<b>2024/25 £000's</b>	<b>Change £000's</b>
Waste Transport and Disposal	7,545	8,787	1,242
Employees	2,925	3,228	611
Premises	1,438	1,892	487
Supplies and Services	1,847	2,213	1,059
Depreciation	2,548	2,565	125
Financing	901	853	(49)
Revenue funding of Debt	984	1,006	22
Concession Accounting Adjustment	(456)	(451)	5
Non Levy Income	(2,582)	(3,678)	(1,096)
PPP Income funding programme of work	(1,120)	(1,247)	(1,247)
FCL Levy	(14,030)	(15,169)	(1,161)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

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 £57.3 million (from the tables above £46.3 million plus £11.0 million).

15.2 The table below shows the proposed disposal rates for waste in 2024/25.

<b>Material (Disposal)</b>	<b>2023/24 £ per tonne</b>	<b>2024/25 £ per tonne</b>
Residual	109.76	114.60
Gully	67.31	71.69
Food	11.61	12.39
Green	40.94	43.60
Wood	67.67	79.34
Rubble	32.63	47.82
Soil	32.63	47.82
Mattresses (per mattress)	5.46	7.54

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.

<b>Material (Transport)</b>	<b>2023/24 £ per tonne</b>	<b>2024/25 £ per tonne</b>
Residual (collected)	12.22	12.26
Other recyclables (collected)	18.63	21.34

15.4 These rates represent the average cost (or estimated cost for contracts due to be procured) to the Authority for the disposal and transport of materials. They 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 2024/25 are as follows:

<b>Borough</b>	<b>2023/24 PAYT disposal charge £000's</b>	<b>2024/25 PAYT disposal charge £000's</b>	<b>Growth £000's</b>
Brent	8,008	8,526	519
Ealing	8,920	9,509	588
Harrow	6,486	6,587	101
Hillingdon	8,583	9,101	518
Hounslow	7,048	7,543	495
Richmond	4,941	5,086	144
<b>Total</b>	<b>43,986</b>	<b>46,352</b>	<b>2,365</b>

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 £11.0 million SERC cost, equivalent to £29.65 per tonne (2023/24: £24.43). 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.

<b>Borough</b>	<b>2023/24 SERC £000's</b>	<b>PAYT charge</b>	<b>2024/25 SERC £000's</b>	<b>PAYT charge</b>	<b>Growth £000's</b>
Brent	1,710		2,073		363
Ealing	1,929		2,387		458
Harrow	1,342		1,587		245
Hillingdon	1,678		2,052		374
Hounslow	1,445		1,781		336
Richmond	996		1,160		164
<b>Total</b>	<b>9,100</b>		<b>11,040</b>		<b>1,940</b>

15.10 The movement in the proportion of SERC cost (depreciation, insurance, 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:

<b>Borough</b>	<b>2023/24 FCL charge £000's</b>	<b>Estimated 2024/25 Council Tax base</b>	<b>2024/25 FCL charge £000's</b>	<b>Change £000's</b>
Brent	2,389	101,187	2,584	194
Ealing	2,872	121,613	3,105	233
Harrow	2,104	89,085	2,275	171
Hillingdon	2,447	103,625	2,646	199
Hounslow	2,109	89,309	2,280	171
Richmond	2,109	89,289	2,280	171
<b>Total</b>	<b>14,029</b>	<b>594,108</b>	<b>15,190</b>	<b>1,161</b>

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 2024/25 budget is £3.7 million, which is a £1.1 million improvement on 2023/24 and reflects activity at current levels but allowing for increases as detailed below.



17.2 The majority of the income is from trade waste (£2.8 million). The proposed main trade and construction charges per tonne at Abbey Road have been budgeted to increase for the trade waste (residual and wood element). This is to remain competitive and details are provided below.

Type of waste	2024/25 £	2023/24 £
Trade waste residual and wood	£185.00 for account customers and £200.00 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 Head of Finance and Assistant Director Operations 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 fee has increased by 26%. The fee has remained flat for several years, but in the current year additional support is required due to the increase in throughput of street cleansing material. To support this in line with our Health and Safety policy, an additional Traffic Controller has been added to the budget.

17.5 In July 2024 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 predicted that the Authority will see income in the region of £6.3 million if we assume ongoing electricity production and prices at the current levels and that there is no impact of the 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 £0.7 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 2024/25 are listed below:

Social Value and reuse-Solar Panels, Energy security and in year cost reduction	£180,000	
Social Value Reuse-Containers	£450,000	Acton Hub

Containers	£150,000	Repair and reuse space for SMEs to deliver Circular economy workshops etc.
IT strategy	£400,000	Future proofing the IT of the Authority and making more dynamic in line with our new way of working. Having a single platform fit for purpose.
Bin wash	£70,000	
	<b>£1,250,000</b>	

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.

Victoria Road bulking facilities	£1,800,000		Representing the capital budget to complete work to increase bulking and sorting capacity to enhance and localise material value and reduce whole system bulking costs.
West Drayton heating system improvements and window replacement	£150,000		Improve energy efficiency
Abbey Road improvements	£392,000		Electric main gates, replacement netting for waste transfer station, heating equipment, essential weighbridge works, structural repairs to transfer station, improved reuse and educational facilities.
Upgrade to finance system	£20,000		Agresso
DMR and food recycling infrastructure at Abbey Road	£500,000		Increasing options for material contracts and improving recycling and diversion rates from residual treatment. This essentially upgrades and future proofs Abbey Road for EPR
New weighbridge software	£20,000		
Resurfacing work at Transport Avenue and Victoria	£240,000		Was £290k, but £50k spent in 2023/24
	<b>£3,329,000</b>		

18.3 There is a spend of £450,000 for our programme, Social Value and Reuse to be spent on containers on a Reuse hub. This had been budgeted for in 2023/24 but in error had been omitted from the Authority paper for budget approval. The containers will be purchased by March 2024 and depreciated over five years, costing the Authority £90,000 a year. This will be funded via the PPP income retained by West London Waste Authority.

## 19 Reserves

19.1 Reserves represent an organisation's 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 2024/25 the proposal for reserves is cautious given the economic climate and continuing uncertainties resulting from the economy, climate change and legislation.

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:

19.5

<b>Risk Description</b>	<b>Mitigations</b>	<b>Likelihood</b>	<b>Financial Risk (£000's)</b>	<b>Reserves to set aside (high 100%, medium 75%, low 50%)</b>
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, particularly the impact of utility prices and driver shortages on prices.	Use of reputable forecasts e.g. HM Treasury	High	£3,047 (representing approx. 5% of WTD costs)	£3,047
An extremely challenging insurance market for the waste sector leading to difficulties in insuring Abbey Road and West Drayton.	Sum to self-insure should it not be possible to secure some/all insurances	High	£2,000 (reconstruction of Abbey Road)	£2,000
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 waste flow disruption	Contract terms, contractor business continuity plans and contingency arrangements, insurances	Medium	£990 representing 1 day per month disruption for 12 months affecting 650 tonnes of recycling per day needing to be sent to EfW @£115 disposal and £12 haulage	£743
The PPP income to pay to boroughs does not materialise e.g. electricity prices don't remain high and windfall tax is applied	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 pricing	Ongoing monitoring of trade income and maintaining competitive pricing position in market place	Low	£550 (representing 20% of trade income)	£225
Waste reduction in line with WLWA's projects and funded programmes do not reduce waste meaning that levies must be increased significantly when the Emissions Trading Scheme goes live. It may be necessary to build infrastructure to provide future resilience.	One third of PPP income retained by WLWA to support in waste minimisation and circular economy.	High	£9,915	£9,915
Residual waste risks - fluctuation in ETS charge to Authority. Fluctuation predicted to be £10m / 400,000 tonnes in year due to the volatility in carbon credit (as this is treated like a market commodity). Risk that the Authority could be impacted from this if Boroughs do not reduce fossil carbon in residual waste.	Work with boroughs to engage with Authority on funded programmes.	High	£3,250 representing a build-up of reserves over the next 3 years before ETS goes live in 2028.	£3,250
<b>Target level for reserves to manage risks</b>				<b>£26,029</b>

19.6 The target level of reserves for 2024/25 is £26.0 million and relates to the immediate risks relevant to the financial year's activities. This compares to £10.3 million of risks in 2022/23. The main changes relate to reserves set aside to cover self-insuring the Authority should we not have any appetite from the insurance market. We have also set aside the PPP income retained by the Authority to cover waste minimisation and circular economy activities, and set aside reserves to cover the volatility of the Emissions Trading Scheme and the fluctuations the waste industry could face.

19.7 Insurance within the waste industry has become extremely challenging due to the nature of the business, and the general insurance market are not too keen. The complexity of insurers not being forthcoming in the market is explained in section 9. Should the Authority self-insure, the revenue benefit to boroughs recognised will be £165,000.

19.8 The PPP income retained by WLWA is to be used for waste minimisation and circular economy activities. These have been designed to mitigate against increase in costs that will affect the six boroughs in the near future (i.e. Emissions Trading Scheme (ETS)). Should boroughs not engage in the programmes and residual waste does not decrease, the income retained will need to be built up to support against large penalties and increase in levies that the Authority and boroughs could face. These reserves needs to be set aside by either the Authority or boroughs and the income from the PPP contract needs to be ring fenced against this.

19.9 Emissions Trading Scheme will be brought in to cover waste plants from 2028 and will levy an additional cost of c.£18 million per annum at the current volume and composition. The capture services and waste sites require change, our infrastructure is struggling at the moment with capacity across Borough transfer stations, HRRCs and collection services (e.g. recycling, residual). More segregation of materials and more sorting will be required to extract specific streams within the residual waste such as plastics and textiles. The ETS costs will be levied against fossil carbon products such as soft plastics, textiles and e-waste, our ability to segregate fossil based plastic is currently only through resident engagement. To mitigate the potential impact and ensure

we have the requisite capacity we need to design and invest in infrastructure to segregate effectively in new facilities capable of sorting material and retaining value locally where possible. If we don't develop our infrastructure, the additional money will simply go to funding penalties not creating a solution.

19.10 Further opportunities will be identified to invest in local infrastructure to develop greater service resilience, reduce costs and create local jobs. The wider development of treatment, sorting, repair and handling capacity will help the creation of a circular economy with improved regional resource and value retention.

19.11 There is also a risk associated with residual waste not decreasing and this could see the charge from the Emissions Trading Scheme fluctuate considerably. Early commentary is stating that this charge could vary by £10 million each year dependent on the carbon tax. The Authority has set aside sums to build up should fossil carbon in residual not decrease.

19.12 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 2024/25 activities.

19.13 The forecast reserve position for the year ending 31 March 2025 is:

	<b>Reserves to manage risks £000's</b>	<b>PPP Income £000s</b>	<b>Total Reserves £000s</b>
Total Reserves 31 March 2023	75,964	9,915	85,879
Less Revaluation Reserve (artificial gain/not realisable)	(52,732)		(52,732)
Less ear marked reserves (HRRC fund)	(863)		(863)
Less disbursement of prior year reserves	(3,300)		(3,300)
<b>Reserves 31 March 2023</b>	<b>19,069</b>	<b>9,915</b>	<b>28,983</b>
Forecast surplus/(deficit) 23/24	(2,127)	0	(2,127)
PPP income expected (2023/24)		6,300	6,300
PPP income share for boroughs (2023/24)		(4,200)	(4,200)
<b>Reserves 31 March 2024</b>	<b>16,942</b>	<b>12,015</b>	<b>28,956</b>
PPP income committed for WLWA programme of work	0	(2,367)	(2,367)
Forecast surplus 2024/25	0	0	0
<b>Forecast position for 31 March 2025</b>	<b>16,942</b>	<b>9,648</b>	<b>26,590</b>

19.14 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 £6.3 million being shared in accordance with the Finance Strategy. £4.2 million will be paid to boroughs following receipt of funds from the contractor (July 2024) and £2.1 million retained by the Authority.

19.15 Provided that no risks materialise the closing reserves balance to manage risks of £27 million (inclusive of the one third PPP income retained by WLWA) is close to the reserves needed to manage risks. It is proposed that there are no excess reserves to be disbursed back to boroughs.

19.16 In comparison other London waste Authorities hold reserves ranging from £31 million to £86 million. This reflects the Authority's strong history of passing on excess reserves to boroughs.

19.17 A further £1.24 million will be utilised for the programmes identified in 2023/24 to be funded from the PPP income retained by WLWA. The total budget for the programmes is £2.8 million over the three years.

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

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

20.3 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 Financial Implications

21.1 These are included 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

22.1 There are no legal implications of this report.

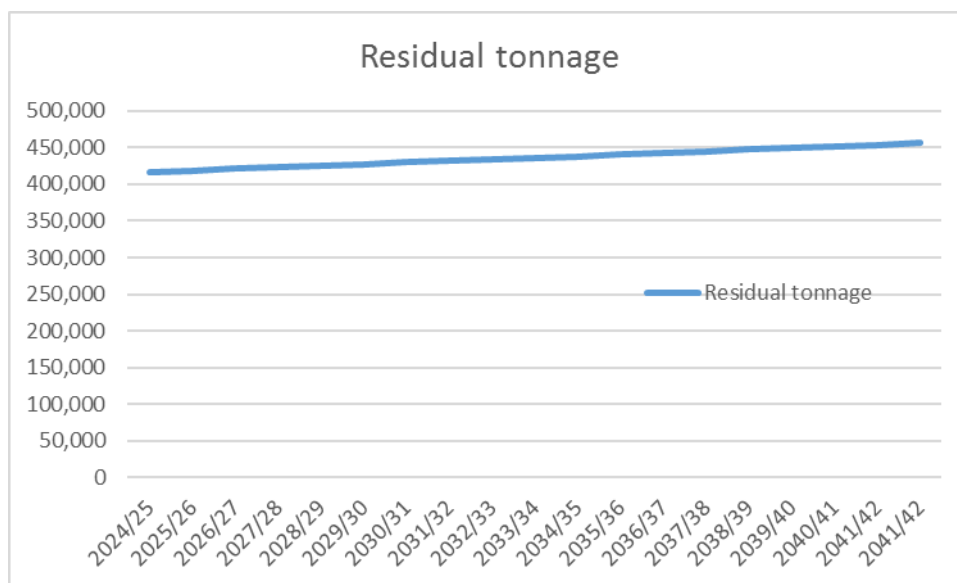
Contact Officers	Sapna Dhanani, Finance Manager <a href="mailto:sapnadhanani@westlondonwaste.gov.uk">sapnadhanani@westlondonwaste.gov.uk</a> Ian O'Donnell, Treasurer <a href="mailto:ianodonnell@westlondonwaste.gov.uk">ianodonnell@westlondonwaste.gov.uk</a> Emma Beal, Managing Director <a href="mailto:emmabeal@westlondonwaste.gov.uk">emmabeal@westlondonwaste.gov.uk</a>
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## Appendix 1

### Outputs

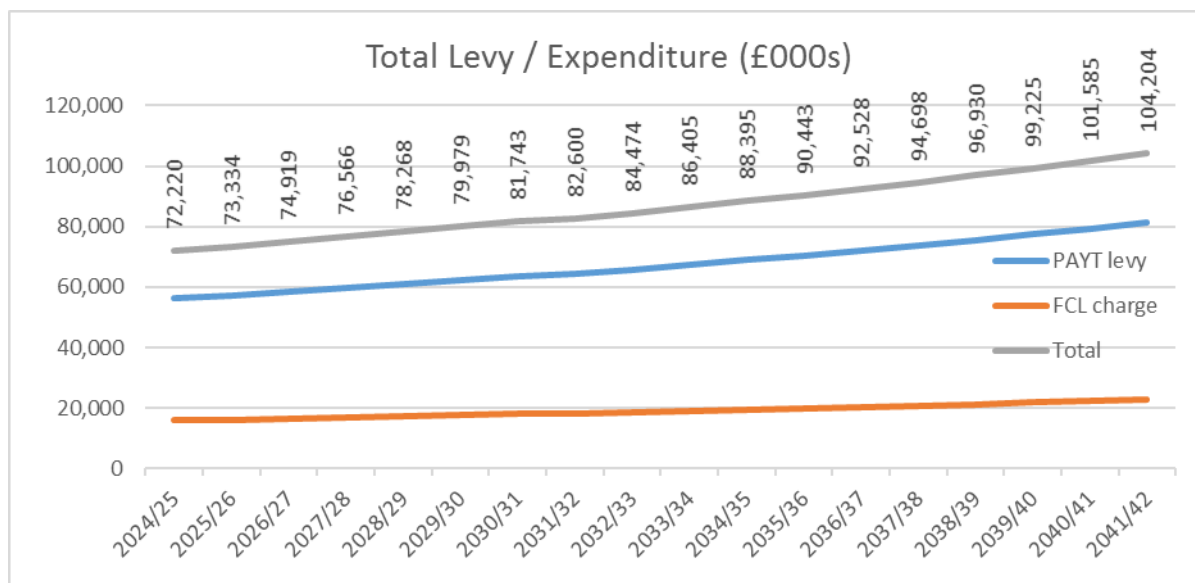
Using the proposed budget and base assumptions, the medium and long term financial model then gives us some outputs, for example, how our costs (and consequently levies to boroughs) change over time, or how our loan and cash balance changes over time. The main outputs are provided below and illustrate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

**Tonnage** – The chart below illustrates the impact of the base assumption of 0.5% annual growth in residual tonnage to reflect population growth. Over the life of the plan, the residual tonnage rises from 416,951 to 456,115 tonnes.



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

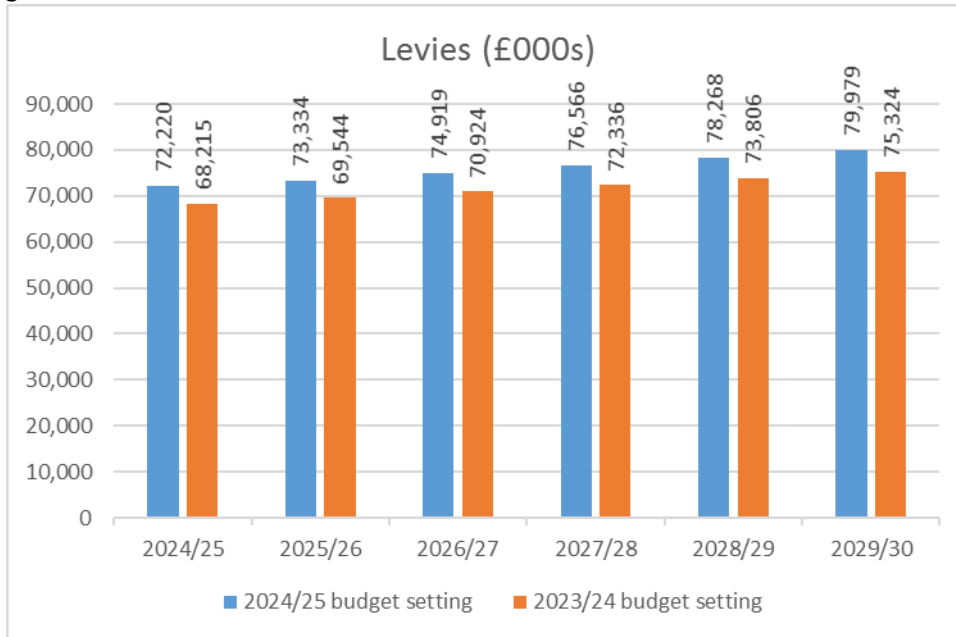
It should be noted that the increase in insurances and the impact of emissions trading scheme (ETS) have not been added in to the medium and long term financial model. Insurance has been set aside within reserves, as has the impact of ETS through the funded programmes which should see fossil carbon in residual waste decrease.



This chart above illustrates an average annual growth of 2.2% over the long-term which is lower than the 3.5% underlying long term growth assumptions in the plan, principally inflation RPIX (3.0%) and annual growth in tonnages (0.5%) to reflect population rises.

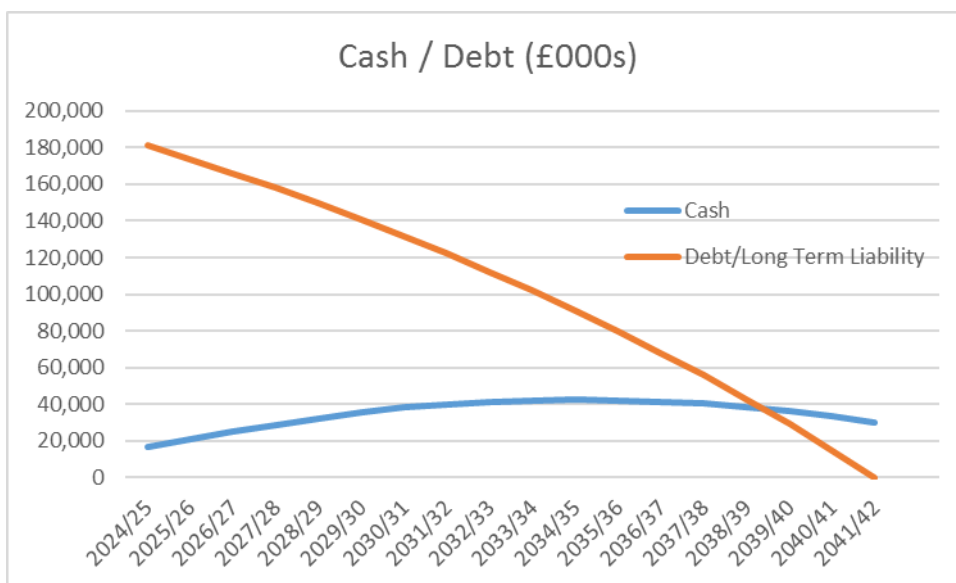
This growth is contained as a result of the way the PPP contract is structured. Inflation is dampened on a large proportion of tonnages over the whole life of the contract.

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



The table above shows an average growth in levies of 2.1% per year over the next 5 years. The change in the chart reflects the high starting point due to 2024/25 inflation (6.5%) and the higher longer term projection of inflation of 3%. In this context, containing the long term growth demonstrates the strength of the Authority’s finances. Boroughs may want to consider using this as an estimate of the increase in the WLWA levies within their medium term financial plans.

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



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



## Sensitivity Analysis

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

Residual tonnages.

Residual waste growth assumption	Average rise in costs / levies over 5 years
-5%	-3.9%
-2%	-0.6%
-1.5%	-0.1%
-1%	0.4%
-0.5%	1.0%
0%	1.5%
0.5% base	2.1%
1%	2.6%
1.5%	3.1%
2%	4.7%
5%	6.9%

Similarly for residual contract inflation (RPIX).

Residual contract inflation RPIX	Average rise in costs / levies over 5 years
1%	1.8%
2%	1.9%
3% base	2.1%
4%	2.2%
5%	2.3%
6%	2.5%