



## Budget & Finance Overview & Scrutiny Committee

15<sup>th</sup> January 2013

### Report from the Director of Environment & Neighbourhoods

Wards Affected:  
ALL

## West London Waste Authority and Waste Cost Issues

### 1.0 Summary

1.1 This paper provides an update on:

***A. Financial problems at the West London Waste Authority that have impacted upon Brent.***

***B. Providing for the increasing cost of waste treatment and disposal.***

### 2.0 Recommendations

2.1 That the committee note the contents of the report

### 3.0 Detail

#### **A. THE WEST LONDON WASTE AUTHORITY**

3.1 The West London Waste Authority (WLWA) is a statutory joint Waste Disposal Authority (WDA) created by primary legislation in 1986 to provide the waste disposal function to the six West London boroughs of Brent, Ealing, Harrow, Hillingdon, Hounslow and Richmond Upon Thames. Put simply the boroughs collect the waste and the WLWA arranges for its disposal.

3.2 The WLWA is effectively a stand alone local authority governed by six councillors, each nominated by one of the constituent boroughs. Cllr James Powney is Brent's representative. It is funded by a levy and waste disposal charges to the constituent boroughs, with some additional revenue raised from trade waste deposits, sales of recyclates and agency fees.

### **Recent Financial Problems**

- 3.3 In January 2012, the 2012-13 WLWA Budget was set on the assumption that there was an under spend of £2.8m in 2011-12 which was erroneously reported in year. This led to an over-commitment of reserves to support the budget, (to reduce the cost burden on the constituent boroughs) and an unsustainable reduction of £1m in the operating budget.
- 3.4 In June, the final position for 2011-12 was reported as a £500k underspend, but after the external audit of the Statement of Accounts in September, this reduced to a net overspend of £200k, (a net change of £700k) which placed additional pressure on already low balances.
- 3.5 PWC were asked to investigate the reasons for the misreporting in year and found serious errors in the compilation of the budget monitoring which were compounded in setting the 2012-13 budget. In July a special meeting of the WLWA was held and a recovery plan of £1.116m was put in place to recover the in year position including errors made in budget setting and new pressures identified in year.
- 3.6 The latest position is that the recovery plan is likely to only yield £450k, mainly from savings on employees (£135k) and some additional income from charging for DIY waste at WLWA sites which commenced at the beginning of October.
- 3.7 The cumulative effect is that the total estimated overspend in 2012/13 is now £2.6m. In order to restore their budget to the correct level, the WLWA made a supplementary levy request to all boroughs.

### **Supplementary Levy**

- 3.8 To address the projected out-turn position a minimum supplementary levy of £2.6m was requested from the boroughs. However, given that WLWA currently has almost nil reserves and further pressures could emerge in year, they asked that a £3.6m supplementary levy be set to allow for any increase in the position. At year end, any underspend will be added to general balances and reduce the amount requested to restore general balances in the 2013-14 budget. The levy is apportioned on the Council Tax Base and the actual supplementary levy for each borough is set out below.

<b>Council</b>	<b>Taxbase</b>	<b>% Allocation</b>	<b>£k</b>
Brent	98,398.0	17%	609
Ealing	118,851.2	20%	735
Harrow	88,140.0	15%	545
Hillingdon	100,236.0	17%	620
Hounslow	86,837.9	15%	537
Richmond	<u>89,291.2</u>	15%	<u>553</u>
	<b>581,754.3</b>		<b>3,600</b>

- 3.9 The WLWA Director wrote to Borough Directors of Finance and Environment on 22<sup>nd</sup> of October to inform them of the need to call for this supplementary levy. The Interim Treasurer chaired a meeting with borough finance representatives on Monday 22<sup>nd</sup> October to discuss the latest in year monitoring position, projected outturn and implications for the budget for 2013/14. This included the request for the supplementary levy in year.

- 3.10 There are implications for the 2013-14 budget as around £2.6m of the £3.6m is estimated to be a base budget adjustment. The additional amount required for general reserves will depend upon the actual outturn.
- 3.11 The additional supplementary levy of £0.6m in 2012/13 was reflected in the budget monitoring report that went to Executive on 10 December. Based on the latest projections for 2013/14 the increase in Brent's levy will be around £1m.

#### **Actions to Address the Position**

- 3.12 The Chief Executives and Directors of Environment at each of the six WLWA boroughs met in early December to discuss concerns arising from the above and ways in which a more active role in the management of the WLWA could be achieved. There have been changes to appoint new statutory and advisory roles. The external technical advisory role is now at a director level and a new Treasurer has been appointed, also at a director level. It was agreed that these officers will lead on a review of both general operating arrangements and overall governance of the WLWA.
- 3.13 The WLWA has appointed Ian O'Donnell, Executive Director of Corporate Services at Ealing, as the new Treasurer to the Authority. The new Treasurer, has indicated that there will be more work done to focus on financial management. He acknowledges that there is not much scope to change the 2013/14 budget but that he has promised to move to a three year rolling budget from 2014/15. There will also be more focus on financial and non financial monitoring to ensure robustness of the forecast. He will also review financial controls to establish that correct processes are being followed i.e. payment of invoices, use of purchase orders and that income is collected.
- 3.14 A revised Medium Term Financial Strategy (MTFS) will be provided to the six boroughs in June/July 2013 after the Preferred Bidder is chosen in the Waste Procurement Exercise.

### **B. WASTE TREATMENT AND DISPOSAL**

- 3.15 The E&NS departmental base budget for 2012/13 was reduced by £1.357m to accommodate a One Council waste savings target for this year. In addition, a further £466k was 'withheld' as a cost avoidance element of the overall savings package. Ordinarily, this would have met the cost of the annual uplift in waste treatment costs. The disposal budget is £6,221,536, established as follows:

	rate	tonnes	cost
landfill	93.00	25,000	£2,325,000
energy from waste	105.26	5,500	£578,930
secondary sort	86.00	11,000	£946,000
seneca mrf	74.30	15,000	£1,114,500
in-vessel compost	43.09	17,000	£732,530
windrow compost	35.94	1,129	£40,576
dry mrf	22.00	22,000	£484,000
		96,629	£6,221,536

- 3.16 This reduction assumed a 7% drop in total waste arisings. Total waste in 2011/12 was 103,859 tonnes.

The out-turn forecast for 2012/13 (at November) shows 102,816 tonnes and an over-spend of £890k, established as follows:

	rate	tonnes	cost
landfill	93	46,006	£4,278,558
energy from waste	105	4,142	£435,986
secondary sort	86	1,705	£146,630
seneca mrf	74	15000	£1,114,500
in-vessel compost	43	15,525	£668,972
windrow compost	36	1,270	£45,643
dry mrf	22	19,168	£421,696
<b>Total Tonnes</b>		<b>102,816</b>	<b>£7,111,986</b>
<b>Current Budget</b>			<b>£ 6,221,536</b>
<b>Difference</b>			<b>£890,450</b>

- 3.17 The main contributing factors are:

- Only a 0.4% reduction in total waste arisings, short of the 7% requirement.
- The cessation of secondary sorting at May 2012. This waste must be landfilled at an additional cost of £7 per tonne.
- Dry recycling and composting totals have fallen short of modelling.
- These factors have contributed to a landfill total that is 21,000 tonnes over budget.

### **Recovery**

- 3.18 The department has sought to recover this overspend, principally through re-negotiation of contract costs with Veolia. A total annual contract price reduction of £260K has been agreed with Veolia through:

- Removing 1 dry recycling round;
- Removing 1 refuse collection round (balcony collections);
- Reducing organic waste collection resources in line with seasonal demand;

The remaining shortfall will be met centrally.

### **2013/14**

- 3.19 The budget pressures will increase for 2013/14 as treatment costs are uplifted. We must also assume the following:

- little change in overall waste arisings;
- an improved 50% recycling rate;
- no further budget provision

3.18 This is a significant challenge and we must look beyond improved diversion as the whole solution.

3.19 Other initiatives must include:

**1. Reducing tonnages** – additional focus will be put into enforcement and other measures

dealing particularly with business waste, fly-tips and other ‘wrong’ waste that is entering our control.

**2. Increasing recycling**

A programme of service improvements will be delivered as part of the One Council ‘Improving Recycling Performance’ project. These include:

- The provision of caddy liners to all properties that currently receive a separate food waste collection.
- The removal of refuse bins from households that were deemed to have had over-capacity.
- The separation for recycling of waste dumped in town centres.
- The receipt of grant funding from the Department of Communities and Local Government for the provision of a weekly collection of food waste from over 300 blocks of flats in Brent.
- A review of the provision and location of on-street recycling containers.
- Improved arrangements - and a revised process - for engaging with householders to reduce levels of contamination and side waste.
- New guidance for landlords on how they must ensure their tenants engage properly with the council’s waste collection requirements.
- The development of a differential charging policy for waste collection containers that further promotes the use of recycling containers over those used for refuse.
- Work with Veolia and WLWA to capture items collected through the bulky waste service for re-use.
- Competitions to incentivise recycling participation.
- New arrangements for schools recycling.

**3. Tendering co-mingled dry recyclables** – a procurement exercise is currently underway to deliver better value from the material collected for recycling. Currently, collected waste is handled and sorted by Veolia at a cost of £22 per tonne. We will seek to break the Veolia arrangement in 2013/14 and work directly with the market to obtain a better price that will help off-set disposal costs. However, Until tenders are received, it would not be prudent to forecast whether benefits are realisable from this initiative, or what the scale of those benefits might be.

**4. Reducing Veolia costs by redesigning rounds/vehicle costs** – Where possible, we will work to deliver further operational efficiencies and to reduce contract costs beyond what has already been achieved.

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