

2020/21 Budget

SUMMARY

This report sets out the 2020/21 budget proposal following consultation with boroughs including key areas of focus in the next 12-60 months to deliver our targets on residual waste reduction.

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Approve the 2020/21 budget for consultation with boroughs
- 2) Approve the Pay As You Throw (PAYT) rates in section 14 and PAYT levy made up of two components totalling of £48.8 million
- 3) Approve the Fixed Cost Levy (FCL) of £13.5 million in section 15
- 4) Approve the new proposed capital budgets in section 17
- 5) Approve the target level of reserves of £8.1 million to act as a buffer for managing risks and avoiding supplementary levies, in section 18
- 6) Approve setting aside £3m of reserves to fund locally agreed invest to save initiatives to increase food waste collection only

1. Introduction

1.1 In December an initial draft budget was circulated to members, shared with borough colleagues and sent to borough Finance Directors for a formal response. Borough colleagues were also invited to a meetings in December and January to discuss the proposals and adjustments made for their feedback.

1.2 The report follows and has been updated to include:

- Changes from the meetings with borough colleagues (CTB1, levy option, food incentive)
- Formal feedback from borough Finance Directors
- The latest 2019/20 year end forecast
- A summary of the medium and long term plan updated for this budget
- Minor changes / finalisation of numbers with managers

2. Executive Summary

2.1 A focus on controlling costs has delivered a budget lower than the underlying conditions and comfortably within the level forecast in the last approved long-term financial plan. Costs and

total levies (£62.3 million) proposed for 2020/21 are 2.4% higher than 2019/20. This is in context of both a 1.3% growth in total residual waste tonnage forecasts and underlying inflation at 2.1%.

2.2 There are two key messages in the proposed 2020/21 budget, both of which support collaborative change across the whole system to reduce to net zero carbon by 2030.

2.3 Firstly, the budget proposes to take greater initiative in attempting to address the single greatest constituent in the residual waste stream, food waste. Reserves will be set aside to incentivise boroughs to extract more food waste from the residual waste stream as explained in section 18.

2.4 Secondly transparency of the cost of residual waste with an improved approach to levy setting in response to feedback from boroughs regarding recycling business cases. Managing waste collectively increases the overall system efficiency across west London. Sections 13-15 detail the changes.

2.5 The table below sets out the 2020/21 budget and the movement from the 2019/20 budget. The latest 2019/20 forecast is also included to provide context and illustrate the current level of activity.

	2019-20 budget £ 000's	2019-20 forecast £ 000's	2020-21 budget £ 000's	Changes in budgets £ 000's
Costs				
Waste Transport and Disposal	46,198	45,582	47,916	1,718
Depreciation	8,485	8,861	8,778	293
Financing Cost	5,659	5,615	5,360	(299)
Premises	2,686	2,627	2,607	(79)
Employees	2,031	2,028	2,173	142
Supplies and Services	992	901	900	(92)
Revenue Funding of Debt	862	900	920	58
Concession Accounting Adjustments	(4,215)	(4,215)	(4,296)	(81)
Total costs	62,698	62,300	64,358	1,660

Income				
Levies	60,810	59,990	62,273	1,463
Other Income	1,888	2,605	2,085	197
Total income	62,698	62,595	64,358	1,660

Total (surplus)/deficit	0	(295)	0	0
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2.6 The budget headings are per our usual format for regular budget monitoring reports. The most notable movement in spending is for Waste Transport and Disposal, which is reflected in an overall increase in Levies and partly offset by improvements across other budgets. Details of all budget items follow.

3. Waste Transport & Disposal (WTD)

3 The Contract Management budget accounts for the majority of the total WLWA budget - this is because it contains all waste transport and disposal costs which make up 77% of the overall budget. This is where most of the significant savings opportunities can be found.

- 3.1 The 2020/21 WTD budget is £47.9 million an increase of £1.7m despite strong savings in a number of areas. 40% of the growth is caused by agreed contractual mechanisms and indexation, which we have little influence over. However, the remainder is driven by tonnage increase – particularly in residual waste which accounts for 45% of the budget growth. The tonnage figures come from estimates provided by the Boroughs.
- 3.2 The boroughs' overall 2020/21 residual tonnage forecasts show an increase of 1.3% (5,399 tonnes) compared to the 2019/20 budget. Based on these estimates, residual waste per household in 2020/21 will be 637kg/hh, the same as in 2019/20. Any additional waste will now be above the 300,000 tonne threshold of the PPP contract and will attract a higher market rate partly offset by spreading financing costs over more tonnes. This accounts for £0.7 million of the growth.
- 3.3 In order to avoid contractors risk pricing in contracts almost every contract across all materials includes pricing inflation using RPIX. The governments Office for Budget Responsibility's forecast for RPIX of 2.1% has therefore been used in budget setting for next year. This is the other main factor contributing to the WTD budget growth.
- 3.4 The 2020/21 budgeted tonnage is made up of the following materials:

Material	2019/20 Total Tonnes	2020/21 Total Tonnes	Change
Residual	415,006	420,405	5,399
Mixed organic	16,300	17,000	700
Green	45,562	43,663	(1,899)
Wood	20,646	22,400	1,754
Kitchen	31,646	31,068	(578)
Other	16,320	11,907	(4,413)
Budgeted tonnages	545,480	546,443	963

4. Depreciation

- 4.1 The budget for 2020/21 of £8.8 million is £0.3 million higher than in 2019/20. This principally reflects property asset valuations agreed with auditors for the latest audited accounts.
- 4.2 The largest element of depreciation relates to the SERC (Sevenside Energy Recovery Centre) and totals £7.6 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 the audited accounts and subsequent change in the asset registers (i.e. additions and disposals).

5. Financing

- 5.1 The financing costs reflects the interest paid on mortgages. These have reduced from £5.7 million in 2019/20 to £5.4 million for 2020/21 primarily as a result of the payment profile of repayment mortgages. 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 £4.8 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 in 2019 makes up the balance of £0.6 million as represents a PWLB loan at 2.24%.

6. Premises

6.1 The budget for 2020/21 of £2.6 million is £0.1 million less than the £2.7 million in 2019/20. The majority of this is due to lower SERC rates and reduced office running costs.

6.2 The largest component of the premises costs are business rates which account for £2.4 million of this budget of which SERC rates make up £1.5 million.

7. Employees

7.1 The 2019/20 budget of £2.2 million is £0.2 million higher than the 2019/20 level. This covers growth for a wide range of employee costs including wage inflation, team realignments, training and pensions.

7.2 The 2020/21 establishment is planned to remain unchanged from last year remaining at 36.4 full time equivalent (FTE) posts with a minor re-alignment of staffing to focus on the increasing volume of activity arising from projects aimed at delivering improvements across the West London area.

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

Activity	2019/20	2020/21	Change
Contract Management	3.0	3.6	0.6
Corporate Services	7.2	7.0	0.0
Operations (Twyford)	15.6	15.6	0.0
Projects	3.6	3.0	(0.6)
Waste Minimisation	7.0	7.0	0.0
Total	36.4	36.4	0

7.4 Putting this into context the Authority employed 88 FTE in 2012/13 (with many in-house services), 42 FTE in 2014/15 and over the last few years FTE numbers have been in the mid 30's. The size of the staffing establishment numbers remains stable and small whilst undertaking an increasing volume, variety and complexity of work.

7.5 There are two points to note. Firstly, work is underway to deliver efficiency savings at Twyford which will pass through to Brent Council in the form of a lower agency fee for the provision of HRRC services. The work includes closing two days per week and introducing a waste minimisation focus which will deliver benefits to Brent and a net neutral impact on the Authority's finances.

7.6 Secondly there is a minor change from the original proposed establishment in the December paper which identified a minor 0.6 reduction. Through work finalising the proposed budget it became clear that this resource may still be required to deliver existing workloads.

8. Supplies & Services

8.1 The 2020/21 budget for Supplies & Services is £0.9 million and is £0.1 million less than the 2019/20 level.

8.2 A wide variety of spends make up this total, the most notable being insurances, waste minimisation projects, borough services (e.g. committee services, treasury etc.) and business plan projects.

8.3 Pricing inflation has been offset by managers' efficiencies and stripping out/reducing unused 2019/20 budgets, the most significant being £70,000 savings from the insurance procurement in 2019.

9. Revenue Funding of Debt

9.1 The loan to finance 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.

9.2 The Revenue Funding of Debt is the element repaying the sites loan and totals £0.9 million for 2020/21. This is £0.1 million more than in 2019/20 reflecting that within a typical repayment loan, the amount of principal repaid increases over time and amount of interest falls.

9.3 It is worth providing the following brief recap of the revenue funding of debt which was detailed in Authority papers recommending the site purchase in 2017/18.

9.4 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.

9.5 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. 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.

10. Concession Accounting Adjustments

10.1 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).

10.2 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.

10.3 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.

10.4 The concession accounting adjustments over the term of the contract were agreed with the auditors during the approval of the latest accounts. For 2020/21 they total £4.3 million, compared to £4.2 million in 2019/20. This accounting adjustment reduces overall costs and levies by £0.1 million.

11. Growth and Savings

11.1 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.

11.2 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 2020/21 plans and proposed savings to a budget challenge session with the Chair and Chief Officers.

11.3 The tables below identify the growth and savings which are included within the 2020/21 draft budget. The tables separate out real growth and savings from other movements reflecting longer term decisions.

11.4 Summary table:

	£ 000's
Budgeted levies 2019/20	60,810
Growth	2,341
Savings	(849)
Other movements	(29)
Budgeted levies 2020/21	62,273

11.5 Growth table:

Area	Explanation	Growth £ 000's
Waste Transport and Disposal	Increased residual tonnages, band changes and inflation (£1,509k), increase in price and volume of wood (£240k), range of other smaller price and tonnage movements (£389k)	2,138
Employees	Salary/NI inflation per NJC award (£51k), team realignments including job evaluations (£86k), training (£10k), pensions (£8k)	155
Supplies and Services	New bin sensor and HRRC efficiency project costs (£30k), new telephony service (£12k) and other minor items (£6k)	48

2,341

11.6 Savings table:

Area	Explanation	Saving £ 000's
Waste Transport and Disposal	Savings from mattress pricing (£267k) and other minor savings (£152k)	(419)
Supplies and Services	Insurance procurement savings (£70k), reduced lease and other site machinery costs (£33k) and other minor savings (£37k)	(140)
Premises	Lower SERC rates (£51k) and other minor office costs savings (£28k)	(79)
Employees	Staffing realignment savings (£14k)	(14)
Other Income	Site rental income (£97k), growth in trade waste (£100k)	(197)
		(849)

11.7 Other movements table:

Area	Explanation	Increase / (Decrease) £ 000's
Depreciation	Reflecting property valuations agreed with auditors for the last accounts	293
Financing Costs	Reflecting reducing interest in repayment mortgages for SERC with boroughs	(299)
Revenue Funding of Debt	Reflecting rising repayment of principal in repayment mortgage for sites with PWLB	58
Concession Accounting Adjustment	Reflecting adjustments agreed with auditors for the last accounts	(81)
		(29)

12. PAYT / FCL split

- 12.1 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.
- 12.2 The PAYT also includes an element for the recovery of SERC financing costs, depreciation, rates and concession accounting adjustments etc. For 2020/21, to address feedback from borough colleagues, this element of financing cost £8.1 million (2019/20: £8.6 million) will be separately identifiable within PAYT. The overall cost is unaffected by this move.
- 12.3 The purpose of this move is to properly recognise the cost of waste disposal which is cheaper through WLWA and more expensive if Boroughs act unilaterally. It also ensures business cases for recycling reflect the actual level of savings on offer.
- 12.4 For example boroughs increasing commercial or trade waste through the Authority will improve the whole system efficiency because the financing costs will be spread over a greater tonnage. Menu pricing can be used in a similar way and members may recall the introduction of a PAYT rate for gully waste for the same reasons in June 2019.
- 12.5 Factoring in the above changes, the breakdown of the budget between PAYT and FCL activities is as follows:

PAYT (disposal cost)	2019/20 £000's	2020/21 £000's	Change £000's
Waste Transport and Disposal	39,109	40,661	1,552
Depreciation (SERC)	6,806	0	(6,806)
Financing Costs (SERC/WLRWS)	4,193	0	(4,193)
Premises (SERC)	1,289	0	(1,289)
Concession Accounting Adjustment	(3,623)	0	3,623
PAYT Levy	(47,774)	(40,661)	7,113
Total	0	0	0

PAYT (SERC cost)	2019/20 £000's	2020/21 £000's	Change £000's
Depreciation (SERC)	0	6,486	6,486
Financing Costs (SERC/WLRWS)	0	4,103	4,103
Premises (SERC)	0	1,225	1,225
Concession Accounting Adjustment	0	(3,645)	(3,645)
PAYT Levy	0	(8,169)	(8,169)
Total	0	0	0

FCL	2019/20 £000's	2020/21 £000's	Change £000's
Waste Transport and Disposal	7,089	7,255	166
Employees	2,031	2,173	142
Premises	1,397	1,382	(15)
Supplies and Services	992	900	(92)
Depreciation	1,679	2,292	613
Financing	1,466	1,257	(209)
Revenue funding of Debt	862	920	58
Concession Accounting Adjustment	(592)	(651)	(59)
Non Levy Income	(1,888)	(2,085)	(197)
FCL Levy	(13,036)	(13,443)	(407)
Total	0	0	0

12.6 Note the PAYT has been split to show its two main components.

13. Change in Levy Setting

13.1 As previously reported, Officers have been working with borough colleagues to improve the levy setting approach, demonstrated by the introduction of the gully waste PAYT earlier in the year.

13.2 The new approach provides far better transparency of the true cost of disposal by splitting the PAYT into two components the disposal cost and SERC costs.

13.3 Boroughs will see no change in the overall amount they pay compared to the original method but will now also have the opportunity to send more residual waste to the Authority at a much more competitive rate. Any resulting increase in residual tonnage will improve the overall system efficiency.

13.4 The levy to boroughs will have 3 parts

1. PAYT (disposal) – Rates (£/tonne) for different materials which reflect the average prices paid to contractors (e.g. £102.46 per tonne for residual waste), 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 equivalent to £22.20 per tonne for the £8.1 million SERC costs. 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 etc) on the basis of boroughs tax base from their CTB1 returns in October. Note that following feedback from boroughs, an exercise will be undertaken to consider the pros and cons of using the final Council Tax base instead of the October CTB1 return figure and will inform the 2021/22 budget/levy setting recommendation.

Details of these are in Sections 14 and 15.

13.5 The table below provides an overall picture of the amounts boroughs will pay for 2020/21 under both existing method and new approach. It also shows what the PAYT rate is for each method.

Borough	Existing approach			Proposed approach				Difference in amount to pay
	PAYT	FCL	Total	PAYT (disposal)	PAYT (SERC)	FCL	Total	
Brent	8,838	2,214	11,052	7,311	1,527	2,214	11,052	0
Ealing	10,162	2,740	12,902	8,391	1,771	2,740	12,902	0
Harrow	6,425	2,054	8,479	5,345	1,080	2,054	8,479	0
Hillingdon	10,222	2,333	12,555	8,658	1,564	2,333	12,555	0
Hounslow	7,603	2,024	9,627	6,322	1,281	2,024	9,627	0
Richmond	5,580	2,078	7,658	4,634	946	2,078	7,658	0
Total	48,830	13,443	62,273	40,661	8,169	13,443	62,273	0
PAYT Rate	124.66			102.46	22.20			
Gully rate	54.43			54.43				

13.6 Previous consideration of changes to levy mechanism have resulted in some boroughs paying more and other less. This solution however, maintains the status quo and continues to provide better stability and consistency of charging.

14 PAYT Levy Income

14.1 As identified above the PAYT will be made up of two components and therefore the PAYT levy too. Combined the PAYT levy will total £48.8 million (from the table above £40,661 plus £8,169).

14.2 The table below shows the proposed disposal rates for non residual waste in 2020/21.

Material (Disposal)	2019/20 £ per tonne	2020/21 £ per tonne
Gully	52.01	54.43
Food	10.04	10.35
Green	27.87	29.16
Mixed food and green	49.50	49.50
Wood	41.38	42.84
Rubble	24.91	45.93
Soil	25.00	45.95
Gypsum	94.76	93.93
Mattresses (per mattress)	6.91	4.55

14.2 Note that following the contraction of the carpet recycling market, carpets are now included in the residual waste rate.

14.3 In addition to this, the Authority manages non-household waste from HRRC sites and incurs transport costs. On a similar basis the average transport charges for 2020/21 are provided below.

Material (Transport)	2019/20 £ per tonne	2020/21 £ per tonne
Residual (collected)	8.00	8.18

Other recyclables (collected)	9.21	12.11
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14.4 These rates represent the average cost to the Authority for the disposal and transport of materials. They reflect the blended price paid to a number of contractors. Note that the increase in transport costs for 'other recyclables' is not caused by contractor price increases, but rather by low loading weights at Borough sites, which WLWA and the Boroughs are working to resolve.

14.5 These rates will be applied to the 2020/21 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 Using tonnage forecasts from boroughs, the PAYT charges for 2020/21 are as follows:

Borough	2019/20 PAYT disposal charge £000's	2020/21 PAYT disposal charge £000's	Reduction £000's
Brent	8,740	7,311	(1,429)
Ealing	10,033	8,391	(1,642)
Harrow	6,391	5,345	(1,046)
Hillingdon	9,074	8,658	(416)
Hounslow	7,790	6,322	(1,468)
Richmond	5,746	4,634	(1,112)
Total	47,774	40,661	(7,113)*

**The reduction is offset by a growth in the PAYT SERC charge see 14.11*

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

Borough	2019/20 budgeted tonnage	2020/21 budgeted tonnage	Growth tonnage
Brent	69,457	69,659	202
Ealing	80,148	80,061	(87)
Harrow	49,200	48,619	(581)
Hillingdon	64,510	70,489	5,979
Hounslow	61,044	59,060	(1,984)
Richmond	45,000	42,845	(2,155)
Total	369,359	370,734	1,374

The 2020/21 tonnage includes 2,698 tonnes of gully waste

14.8 The above table illustrates that the growth WLWA is seeing is the result of positive growth, more waste coming through WLWA for whole system efficiency. It is worth repeating that should borough waste volumes be higher or lower than they've forecast, then each quarter they will be charged or refunded a sum to ensure they pay only for what is actually delivered.

14.9 The second, PAYT (SERC) component relates to the £8.1 million SERC cost, equivalent of £22.20 per tonne. This will initially be apportioned and levied on the basis of 2020/21 budgeted residual waste tonnages excluding gully waste. Following feedback from boroughs, a quarterly exercise will then adjust this sum to reflect the actual tonnages delivered that quarter with a reimbursement or additional charge. The calculation and example of reconciliation can be found in Appendix 1.

14.10 To allocate and levy these SERC costs on any other basis would result in some boroughs paying more and others less than the current approach. Adjusting the sum to reflect actual tonnages also is consistent with the current treatment and also removes the uncertainties and risks of using forecasts (as initially considered in the December report).

14.11 The initial apportioned annual charge is per Appendix 1 and summarised below. This will be reconciled and adjusted to reflect actual tonnages every quarter.

Borough	2019/20 PAYT SERC charge £000's	2020/21 PAYT SERC charge £000's	Growth £000's
Brent	0	1,527	1,527
Ealing	0	1,771	1,771
Harrow	0	1,080	1,080
Hillingdon	0	1,564	1,564
Hounslow	0	1,281	1,281
Richmond	0	946	946
Total	0	8,169	8,169*

**The growth is offset by a reduction in the PAYT SERC charge see 14.6*

15. FCL Income

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

15.2 The costs in the FCL will be apportioned using the Council Tax base per the CTB1 (October 2019) returns provided by the boroughs. As mentioned previously this will be reviewed for the 2021/22 budget setting. Officers will attend the West London Treasurers forum to address this.

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

Borough	2019/20 FCL charge £000's	2020/21 Council Tax base	2020/21 FCL charge £000's	Change £000's
Brent	2,134	96,012	2,214	80
Ealing	2,649	118,865	2,740	89
Harrow	1,983	89,077	2,054	71
Hillingdon	2,264	101,243	2,333	71

Hounslow	1,966	87,820	2,024	58
Richmond	2,040	90,092	2,078	38
Total	13,036	583,109	13,443	407

15.4 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.

16. Other Income

16.1 The 2020/21 budget is £2.1 million, which is £0.2 million more than 2019/20. An increase in trade waste income and higher rental income for Victoria Road are the growth items resulting in this improvement.

16.2 The majority of the income is from trade waste (£1.4 million) and prices have been maintained at 2019/20 levels.

16.3 The proposed main trade/DIY charges per tonne at Twyford are provided below:

Type of waste	2019/20 £	2020/21 £
Trade waste residual and wood	160.00 for account customers and £165.00 for others	160.00 for account customers and £165.00 for others
Trade waste recycling	80.00	80.00
Asbestos (Households only)	272.00	272.00
Mattresses (per mattress)	10.00	10.00
Bulky items	218.00	218.00

16.4 Other income includes an agency fee which passes on the costs of running the Twyford HRRC to the local borough. This is being maintained at current levels reflecting planned efficiencies in running the site offsetting any inflationary effects.

17. Capital

17.1 The new capital budget requirements for 2020/21 are listed below:

- An increase in the budget (see 17.2) for resurfacing of access roads at Transport Avenue and Victoria Road (£60,000) due to condition of roads.

17.2 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.

- Resurface of access roads at Transport Avenue and Victoria Road (£230,000)
- Construction of a bulking facility at Victoria Road (£1.0 million)
- Twyford improvements (£592,000)

The Contract Management Software (£30,000) budget has been stripped out as requirements have changed

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 For 2020/21 the proposal for reserves also includes an initiative attempting to address a fundamental issue for the sector and discussed in many Authority meetings, the removal of food waste from the residual waste stream which has significant implications both financially and for the environment.

18.4 The initiative is to provide an incentive funded from reserves to help boroughs overcome barriers they may face in delivering a step change in increasing the amount of food waste removed from collected household residual waste. This is in addition to the approx. £90 per tonne saving that will be achieved by boroughs through this diversion.

On this basis £3 million has been set aside in reserves (£500k per local authority) to incentivise individual boroughs to increase the amount of food waste collected through funding specific invest to save projects.

The mechanism for the distribution of this sum will be agreed in consultation with boroughs.

18.5 A flexible approach will be adopted to recognise that all boroughs have different particular circumstances (service levels, level of investment already made, demographics, geography etc) but ensuring that the £500k is to support delivery of the desired food waste outcomes and that they reflect good value for the investment.

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

Risk Description	Mitigations	Likelihood	Financial Risk (£000’s)
Incentive to help boroughs separate food waste from the household residual waste collection	Capped incentive	Medium	£3,000 (representing doubling of food waste volumes)
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 given uncertainties of Brexit	Use of reputable forecasts e.g. HM Treasury	Medium	£1,000 (representing approx. 2% higher indexation)
Whilst the contractor bears most of the risk in the event of the loss/closure of a transfer station,	Contract terms, contractor business continuity plans and	Medium	£1,200 (representing 2 weeks of

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.	contingency arrangements, insurances		residual waste diversion in our biggest contract)
An extremely challenging insurance market for the waste sector leading to the inability to procure insurances for the Authority's activities	Gradually building reserves to self insure activities	High	£1,000 (representing 20% of current cover)
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	High	£700 (based on residual FCL tonnages at 10% in excess of budgeted levels)
Risks / costs will arise from the complex PPP contract as a result of terms that are unclear or ambiguous in relation to the day to day operation and running of services.	Team and professional advisors with experience and knowledge of detailed contract terms	Medium	£600 (based on previous experience of contractual issues)
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.	Principally a range of requirements under the procurement rules including competitive procurement, credit checks, scrutiny at various levels including Authority meetings	High	£300 (based previous experience with mattresses and carpets markets)
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	Ongoing monitoring of trade income and market place	Medium	£300 (representing 25% of trade income)
Target level for reserves			£8,100

18.7 The target level of reserves for 2020/21 of £8.1 million compares to £5.9 million in 2019/20 and reflects an emphasis on, incentivising food waste, financial risks relating to the economic climate (inflation, Brexit) and ensuring business continuity.

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

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

18.9 The forecast reserve position for the year ending 31 March 2020 is:

	£000s
Reserves available to manage risks 31 March 2019 per approved accounts	10,863
Less accumulated revenue funding of debt which artificially increases surpluses/reserves	(1,782)
Disbursement of reserves 2019	(1,900)
Forecast surplus for 2019/20 per period 8 budget monitoring report	295
Forecast position for 31 March 2020	7,476

18.10 Provided that no risks materialise and something close to the £7.5 million forecast position is achieved for 2019/20, the Authority will be slightly below its target level of £8.1 million.

19 Medium and Long Term Plan

19.1 The plan has been updated to incorporate the proposed budget and uses base assumptions of 0.5 % for the annual growth in residual tonnages and RPIX of 3.0%. The key outputs can be found in Appendix 2 and this shows a healthy financial position. The assumptions are then flexed to identify the key factors effecting the Authority's finances. These are as expected, the growth in residual waste tonnages and to a lesser extent inflation.

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

- The volume of residual waste is the key driver of spend/levies so should be one of the areas of strategic focus
- The effect of inflation is dampened by the PPP contract
- The Authority will be debt free at the end of the plan and will maintain healthy cash balances to manage any liquidity risk

20 Borough Responses to Budget Consultation

20.1 The feedback from budget consultation meetings has already been incorporated within the 2020/21 budget proposal.

20.2 The formal boroughs responses to the 2020/21 budget proposals from borough Finance Directors can be found in Appendix 3. 5 responses were received. The common themes (i.e. raised by 3 or more boroughs) are those already highlighted by borough Officers at a meeting in December. These relate to the CTB1, levy option and food waste incentive. This report and the recommendations have incorporated adjustments for this feedback.

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

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

1) Initial PAYT (SERC costs) tonnage Calculation

Borough	Budgeted residual tonnage (excluding gully waste)	Percentage share %	Apportioned annual charge	Quarterly total paid in monthly instalments
Brent	68,775	18.7	1,527	382
Ealing	79,725	21.7	1,771	442
Harrow	48,619	13.2	1,080	270
Hillingdon	70,489	19.2	1,564	391
Hounslow	57,734	15.7	1,281	320
Richmond	42,693	11.5	946	237
Total	368,035	100.0	8,169	2,042

Note that 2,698 tonnes of gully waste are have a very different disposal treatment and different much lower PAYT rate so are excluded from this calculation

2) Illustrative example of quarterly PAYT (SERC costs) tonnage reconciliation at the end of each quarter

Borough	Actual residual tonnage (excluding gully waste) for Quarter	Percentage share %	Apportioned charge	Quarterly sum paid	Adjustment to be (rebated) / charged
Brent	17,000	18.7	382	382	0
Ealing	20,000	22.0	449	442	7
Harrow	12,000	13.2	269	270	(1)
Hillingdon	18,000	19.8	404	391	13
Hounslow	14,000	15.4	314	320	(6)
Richmond	10,000	11.0	224	237	(13)
Total	91,000	100.0	2,042	2,042	0

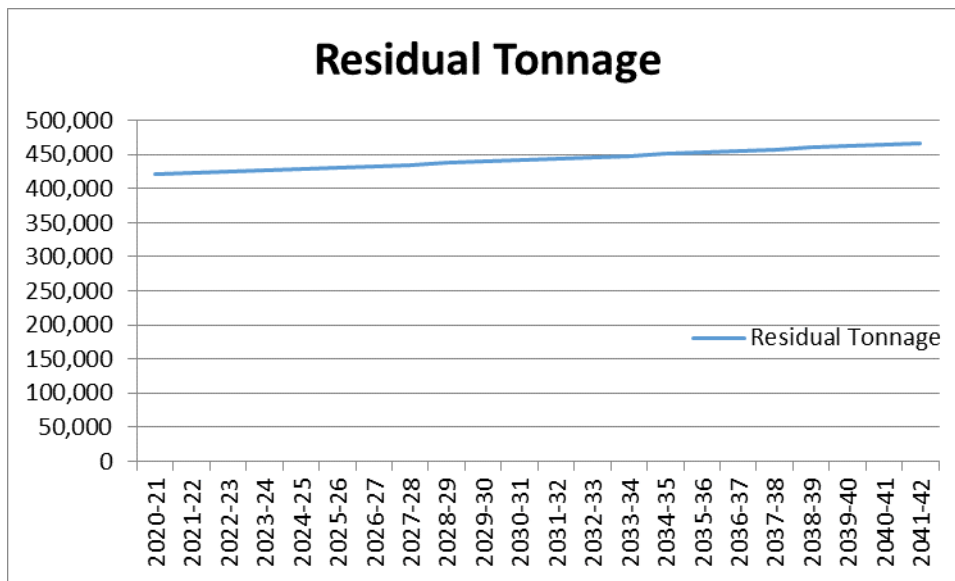
Note: the actual tonnage is a notional value simply used to illustrate the calculation

Appendix 2

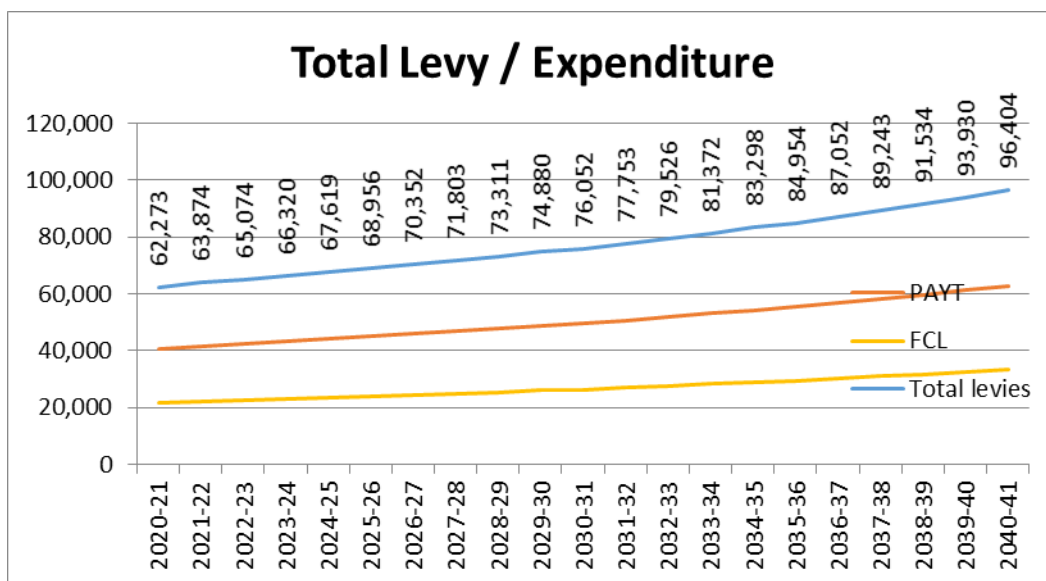
Outputs

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 balance changes over time. The main outputs are provided below and illustrate that effecting 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. Over the life of the plan, the residual tonnage rises from 420,405 to 466,826 tonnes, although the impact of this growth could be mitigated by all boroughs implementing plans to increase the capture of food waste.



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

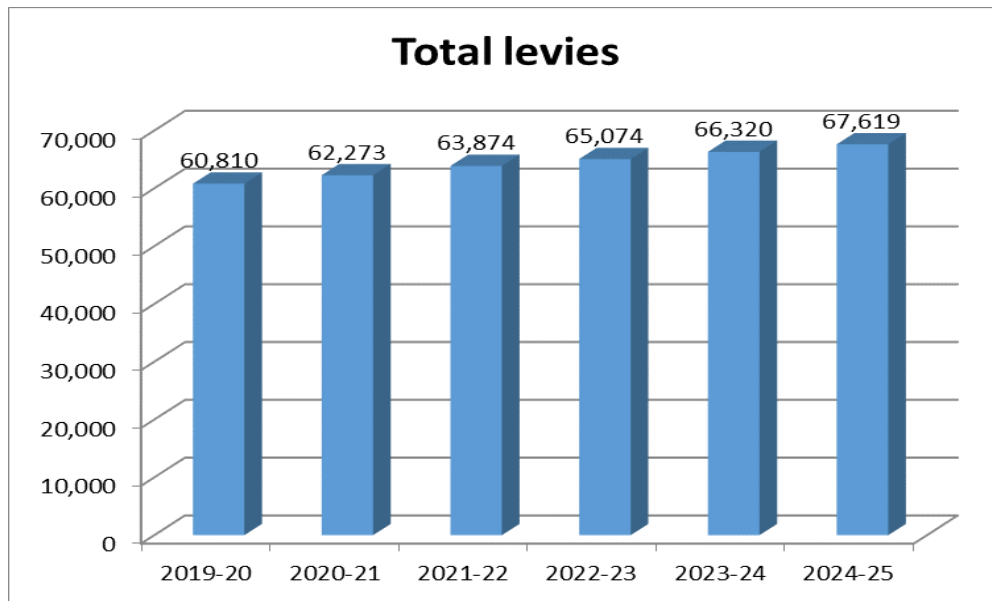


This chart above illustrates an average annual growth of 2.2% over the long-term which is significantly lower than the 3.5% underlying growth from general contract inflation RPIX (3.0%) and annual growth in tonnages (0.5%).

This growth is contained a result of the way the PPP contract is structured. The contract is for up to 300,000 tonnes of waste with the first 235,000 tonnes having pricing uplifts essentially capped at up to 1.5%. This significantly dampens the effect of inflation over the whole life of the contract.

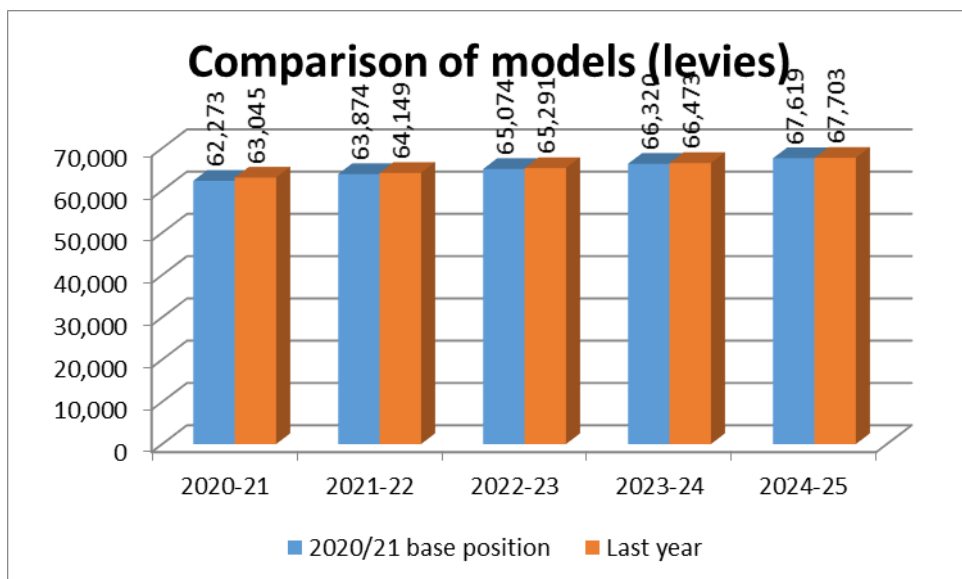
It should be noted that projects like the MRF procurement and HRRC services have a net nil/neutral effect as costs and revenues will be passed on to relevant boroughs directly. Given that projects are still in early stages and details are not yet available, no allowance for these has been made in the long-term plan.

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

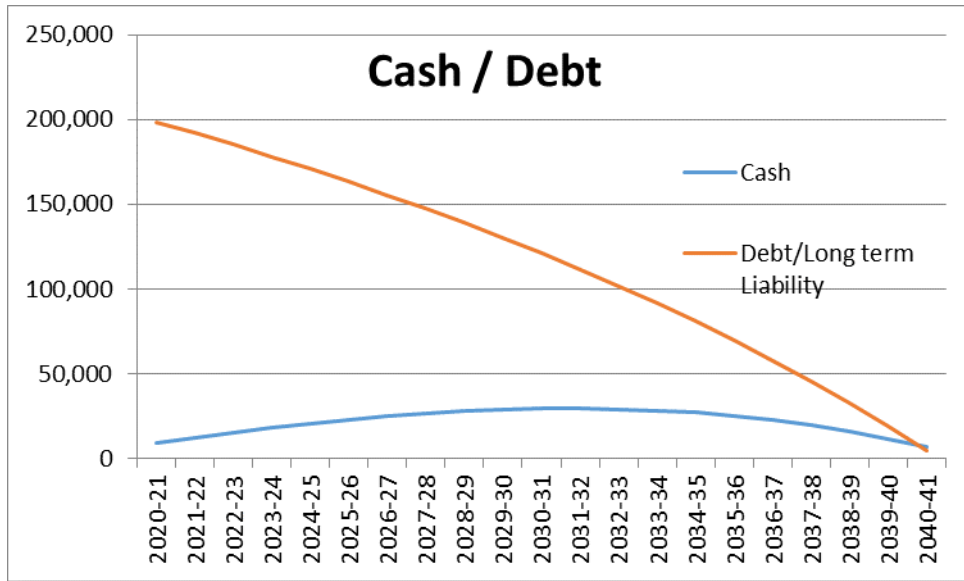


The table above shows an average growth in levies of 2.1% per year over the next 5 years. Boroughs may want to consider using this as an estimate of the increase in the WLWA levies within their medium term financial plans.

The chart below shows how the current medium term plan compares to the plan reported last year and this shows a consistent picture.



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



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



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West Drayton
UB7 7PN

6 January 2020

Dear Jay,

Re: Response on the consultation regarding the WLWA Budget and Levy for 2020/21

We have reviewed WLWA's budget and levy for 2020/21.

We are pleased to see the focus on collaborative change across the whole system, which supports Brent's own climate emergency declaration. Brent Council also aims for carbon neutrality by 2030 which we are already dynamically working towards.

We have two substantial points which we believe would put this in a stronger position:

1 Apportionment of new fixed costs

- 1.1 Our view is that the new fixed costs should be apportioned in the same way as the existing fixed costs.
- 1.2 Paragraph 15.2 of the 2020/21 Budget Report of the Treasurer and Managing Director states that the fixed element previously in PAYT will be apportioned on the basis of 2020/21 budgeted tonnages as a base and reviewed periodically.
- 1.3 This approach is overall inconsistent, creates perverse incentives and is likely to cause issues in the future. We can see the benefit of there being no net change in what the boroughs would pay in 2020/21 under the proposals (provided each borough perfectly hits their forecasts). However, this short-lived benefit shouldn't cloud the rationality of apportioning costs in this way.
- 1.4 The proposed approach creates a 'pseudo-variable cost' and bases apportionment on an estimate which can be manipulated and will not be relevant over time. For example, if a borough's actual tonnage is substantially lower than forecast, that borough would have over-contributed in terms of fixed costs. This undermines the incentives to reduce tonnages. If there was a 'truing up' exercise on actual tonnages to fix this problem, this would make the cost equivalent to a variable cost which undermines the proposals in the document.

- 1.5 If the forecast tonnages (as they are) were used for future years, they would quickly become out of line with reality as different boroughs adopt different strategies in the future. Were there to be a rebasing at a later point, boroughs would have an incentive to understate their forecasts (since this would lead to a lower fixed cost attributable to that borough). This would in turn undermine WLWA's ability to plan.
- 1.6 Given these have been identified as fixed costs, WLWA should be consistent and use the previously agreed method of apportionment i.e. the Council Tax base per the CTB (October 2019) returns. This would be the clear, consistent and future-proof approach.

2 Incentive payments to boroughs

- 2.1 Brent are dedicated to reducing the borough's waste and to removing food waste from the residual waste stream. We are supportive of the lower food PAYT rate.
- 2.2 If the removal of food waste from the residual waste stream has significant implications financially for WLWA (Para 18.3), we believe that the best financial incentive would be for the PAYT rate to fully account for this. The correct PAYT rate would create a clear, neat and administratively low incentive for member local authorities.
- 2.3 We disagree with £3m being set aside to fund incentives (para 18.9) such as the 'increasing food waste' incentive. This is for two primary reasons: firstly, the practicality of the required controls and secondly due to the impact on WLWA's reserves.
- 2.4 As WLWA state in para 18.10, controls would be required to ensure that new food waste is actually coming out of the collected household residual waste stream rather than being diverted from a contractor to the WLWA. The document does not state what these controls would be. This means that it is likely to be a complex incentive to operate in practice. The set-up and monitoring of this incentive risks diverting attention away from delivering the positive changes we all seek.
- 2.5 The table in para 18.11 suggests that removing the incentive payments would allow the target level of WLWA's reserves to be reduced by £3m. This in turn would have a financial benefit to the members. This would be welcome in light of the continuing budget pressures facing local authorities and could immediately be used to deliver changes. For example, we could fund service change, specific trials and other work that WLWA's research suggests would have a positive impact.

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

Kind regards,



Minesh Patel
Director of Finance
Brent Council



LB Ealing not received at time of writing

Resources Directorate, Finance Division
Dawn Calvert, Director of Finance

Ian O'Donnell
Treasurer
West London Waste Authority
c/o Ealing Council
Perceval House
London W5 2HL

6th January 2020

Dear Ian

Thank you for your letter of 6th December 2019, which sought the views of constituent boroughs on the 2020/21 draft budget.

I note from your letter that some amendments will be made to the budget proposal following boroughs' feedback at the meeting on 6th December 2019. These are broadly in line with my view, but more specifically, I would like to set out more details of these in the context of Harrow below.

Harrow's achievement on food waste recycling has been significant since its introduction of separate food waste collection in October 2015. As indicated in the budget papers, Harrow currently collects around 1.5kg of food waste per household per week which represents 28% of the total tonnage collected among West London boroughs. The food waste initiative in the draft budget proposes a financial incentive for boroughs who increase food waste by 0.5kg/hh/week or 1.0kg/hh/week. Given that Harrow has a high baseline tonnage, I feel that setting an overarching financial incentive based on a fixed increase in tonnage does not provide a fair approach and potentially puts Harrow in a disadvantageous position. The aim of this initiative is to incentivise boroughs to divert food waste from the residual waste stream, therefore the target should be proportionate to each borough's baseline tonnage to maximise the benefits. Alternatively, the approach of having a collective target for boroughs who have a separate food waste collection may be considered. I would welcome a workshop between Environment Directors and Finance Directors to agree a way forward in due course.

In terms of the proposed changes to levy setting, although the draft budget report indicates that there is no change in the overall levy that each borough pays compared to the original methodology, this is achieved by apportioning the fixed element of costs previously in PAYT using 2020/21 budgeted tonnage. I note that the draft report will be updated to include a quarterly financial reconciliation to reflect the amount that each borough should be liable based on actual tonnage. However, this is the arrangement for 2020/21 only. As all other fixed costs are apportioned using Council Tax base, Harrow would be worse off should the fixed element of costs in PAYT be included in the overall fixed costs for

calculating Fixed Cost Levy in future years. It would be helpful for the Authority to have some early consideration on the future arrangements for apportioning Fixed Cost Levy and consult with boroughs accordingly.

Paragraph 3.2 of the report explains a net growth in disposal costs of £0.7m due to residual waste tonnage above the 300,000 threshold of the PPP contract thereby attracting a higher gate fee. As the overall estimated tonnage is far more than the guaranteed minimum tonnage required for the SERC and Lakeside, I would like to understand if there is any possible way of minimising the cost impacts by diverting some tonnage to cheaper suppliers for disposal whilst meeting the PPP contractual requirements. It would be useful if the Authority could provide an analysis of any alternative options to help demonstrate that sending the tonnage to the SERC represents best value for money.

The employees budget is set to increase by 7% yet there is a reduction in the number of FTEs by 0.6 in 2020/21. Team realignments including job evaluations have resulted in almost £90k increase in salaries. As staffing is one of the largest operating costs for the Authority, I suggest that the budget report provides more details of the posts being affected by the realignments.

Harrow currently delivers its food waste to Veolia site at an extra bulking cost pending the new bulking facility being made available at Victoria Road. The delay in the construction of the facility by the Authority has resulted in additional disposal costs for us. I suggest that the Authority considers reducing or waiving the charge to Harrow in 2020/21 to minimise its cost impact.

I agree in principle that a reasonable level of reserve should be maintained to mitigate financial risks and uncertainties. Any disbursement of excess reserves back to boroughs will be welcome. Harrow has no financial capacity for any 'in-year' additional levy.

Yours sincerely,



Dawn



HILLINGDON

LONDON

Jay Patel
Head of Finance, West London Waste Authority

c/o jaypatel@westlondonwaste.gov.uk

Ref: PW/AP/396

6th January 2020

Dear Jay,

RE: West London Waste Authority (WLWA) Levy Consultation 2020/21


Thank you for your email of 9th December 2019, which sought the views of constituent authorities on the 2020/21 draft budget and levy as outlined in the report.

Hillingdon notes the headline increase of 2.4% in the draft 2020/21 levy budget with the principal driver being the increased levels of residual waste and inflationary largely within Waste Transport and Disposal costs. Hillingdon welcomes the mitigating impact of £849k savings outlined in paragraph 1.6 of the budget report.

In paragraphs 3.3 and 3.4, the report refers to higher costs of the PPP contract and the 300,000 tonne threshold. It would be useful if the report could exemplify in more detail the tonnage bandings and gate fees that apply and the risk this presents given that this accounts for £0.5 million of the increased costs in the 2020/21 draft budget.

In terms of the change in the PAYT/FCL split Hillingdon support the principle of establishing a clearer basis for the cost of waste disposal but would seek further details on how the fixed element that has transferred will be treated going forwards. Paragraph 15.2 states "...the fixed element will be apportioned on the basis of the 2020/21 tonnages as a base and reviewed periodically".

In response to the proposal to incentivise food waste recycling it is noted that the letter of 9th December from Ian O'Donnell WLWA now proposes to "...work with Boroughs to agree an approach for disbursing the sum". While this approach could mitigate some of the concerns with the original proposal, we would reiterate that any disbursement mechanism



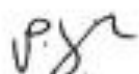
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needs to recognise both specific local circumstances (including the waste collection methods) and that the success of food waste recycling initiatives are very difficult to predict.

On the more general issue of reserves Hillingdon accepts the principle of retaining reasonable levels of reserves to offset operational risks but would ask that the individual risks and attached provisions sums be reviewed periodically during the year given that constituent authorities remain under significant financial pressure.

We look forward to the opportunity to discuss the proposed budget, in particular the proposal on the incentivisation of food recycling, at the meeting later this week.

Yours sincerely,



Paul Whaymand
Corporate Director of Finance

- C.C. Cllr K Burrows, Cabinet Member for Planning, Transportation & Recycling and London Borough of Hillingdon's representative on the WLWA Board
- Jean Palmer – Deputy Chief Executive & Corporate Director – Residents Services
- Perry Scott – Director of Infrastructure, Procurement, Business Improvement, Communications, Waste Services & ICT
- Cathy Knubley – Head of Waste Services
- Andy Evans – Deputy Director - Corporate Finance
- Carolyn Stanton - Finance Business Partner
- Emma Beal - Director, WLWA



Niall Bolger
Chief Executive

Chief Executive's Office
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7 Bath Road, Hounslow

Mr Jay Patel
Head of Finance & Performance
Deputy S.73 Officer
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E-Mail: clive.palfreyman@hounslow.gov.uk
Our ref:
Your ref:
Date: January 6th, 2020

Dear Mr Patel,

Re: West London Waste Authority 2020-21 Budget

Thank you for your email sent on 9 December 2019 and its attachments – the 2020/21 consultation letter and the draft WLWA 2020/21 budget report. We note the five recommendations in the report, and the amendments to the report following the 6 December meeting. We acknowledge WLWA's efforts in attempting to keep costs low, noting that the proposed budget increase in costs is 2.4% against underlying inflation of 2.1% and anticipated volume growth of 1.3%. During the year Hounslow received a £0.3m WLWA reserve disbursement which demonstrates the Authority's responsiveness, commitment to partnership working but also indicates that charges have been set at a rate above the underlying costs being incurred. It is noted that the forecast for 2019/20 is to deliver a surplus of nearly £0.4m. We welcome the WLWA's initiative to minimise residual waste through incentivising actions to reduce the level of food waste entering the household residual waste stream. Work on this is already in progress and a proposed Climate Emergency Action Plan going to January Cabinet demonstrates Hounslow's obligation to reduce food waste and carbon emissions. We are committed to continue working with the WLWA to make significant strides in this area in the year ahead and will agree with the WLWA an approach for disbursing an agreed monetary sum.

Hounslow firstly commends the WLWA's responsiveness and attempts to improve transparency by costing gully waste as a separate waste stream and restructuring levies to appropriately classify fixed and variable costs. The proposed levy setting approach results in no 'winners' and 'losers' as the fixed element previously in Pay-As-You-Throw is to be apportioned based on 2020/21 budgeted tonnages with quarterly reconciliations to actual tonnages. Hounslow stands to benefit from the new reduced PAYT rate for residual waste and intends to exploit more commercial waste opportunities in the coming year. This new arrangement however, will need to be monitored during the year to enable a full evaluation at the end of the year, including impact on behaviour, to inform the approach to be taken in following years. Works also need to continue to ensure WLWA's PAYT rates for the various waste streams are reflective of true costs, and any variable costs captured within the Fixed Cost Levy are also correctly treated.

Hounslow is in support of a review and discussion about the current arrangement in apportioning FCL using boroughs' CTB1 figures as opposed to the council tax base. Hounslow is estimated to have paid an additional £137k in FCL since 2015 when we believe the change was introduced. However, working to

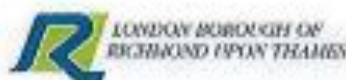
improve transparency and collaborative working, and the level of scrutiny by boroughs of decisions that impact them is considered more of a priority. I have written to you separately regarding this with the support of the West London Treasurers Group and look forward to being able to agree a way forward.

We look forward to a collaborative year ahead working with the WLWA.

Yours sincerely

Clive Palfreyman
Executive Director, Finance & Resources

Resources Directorate
Mr Mark Maidment
Director of Resources & Deputy Chief Executive
Phone: (020) 8891 7171
Email: M.Maidment@richmondandwandsworth.gov.uk



6th January 2020

Ian O'Donnell
Treasurer
West London Waste Authority
Unit 8, Britannia Court,
The Green,
West Drayton,
UB7 7PN

Dear Ian,

West London Waste Authority draft 2020/21 Budget

Thank you for your letter dated 6th December 2019 seeking written views on the draft budget and levy for the forthcoming year. My comments are as follows:

1) PAYT / FCL change to provide a lower PAYT rate

We note the proposed movement of £8.1m from the PAYT levy element to the FCL charge, and for this to be apportioned on the current PAYT proportions. As identified in the draft budget report, this means that boroughs will see no overall change in the amount they pay by creating an FCL calculated using 2 bases (Council Tax base & budgeted tonnages). This then enables WLWA to offer a lower PAYT rate per tonne of £102.46 instead of £124.66.

As Richmond Council currently sends all our PAYT waste to WLWA this proposal therefore is of no financial benefit to Richmond and the proposed change may create some future risks. It would be of concern to Richmond if this new arrangement were to be 'subject to review' and for instance, in future the whole FCL were to be apportioned by Council Tax Base. Our preference is that if there is to be a change, then it is one that is made permanent. Before being supportive of any change, we would like to have a clear outline of how long this proposed arrangement would be for and what any future changes may look like, as we are currently unclear of the reasons and benefit of making this change.

2) Use of CTB1 instead of Council Tax Base

Richmond has previously highlighted that we do not know why CTB1 figures are being used as the apportionment basis and not the actual Council Tax Base figures. Since 2016/17 when we believe the change was made, four of the Boroughs have paid additional FCL and two Boroughs have paid less. The table below sets these amounts as

per our calculations, and as can be seen, Richmond is the least affected out of all the Boroughs. Under the regulations, without there being agreement to use an alternative basis, the charging basis for the FCL should be the Council Tax Base. We are unaware of having agreed for the change to CTB1 and therefore we would like to revert to using the Council Tax Base as the apportionment basis. We will provide you with our Council Tax Base figures as soon as they become available annually.

Total Variance per Borough	£
Brent	-196,944
Ealing	102,509
Harrow	52,203
Hillingdon	-131,025
Hounslow	136,510
Richmond	36,747
Total	0

Our approved Council Tax base for 2020/21 is 88,742.

3) Use of Reserves and Food Waste Incentive

Richmond already provides a food waste collection service to households and have conducted trials in flatted properties. An incentive and payment mechanism as proposed, is much more easily achieved by Boroughs who don't already have effective food waste collection services in place. We therefore consider that the proposal isn't a preferable approach in achieving its aims, as it does not treat the Boroughs equally.

While I appreciate the attempt to be innovative and to incentivise the Council's to improve their food waste collection and to remove it from residual household waste, the environmental impact and the ongoing financial benefits in removing food waste with a lower disposal cost of £10.35 per tonne should be incentive and reward enough for achieving this. The proposal in 1) above to reduce the PAYT cost per tonne by 18% may counteract this and contribute to reducing the incentive to increase food waste collections, as it reduces the cost differential between residual and food waste, and this diminishes the business case for providing such a service.

Often the barrier to introducing or increasing the food waste service is the costs of implementing (such as new vehicles, bins and cost of additional rounds). We could benefit more from the ability to use these reserves towards the capital costs of introducing and improving further food waste collection services.

Yours Sincerely



Mark Maidment
Director of Resources and Deputy Chief Executive
London Borough of Richmond Upon Thames

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