(Contact Officer: Suzana Coco-Bassey - Tel. 020 8708 3735)

EAST LONDON WASTE AUTHORITY

21 JUNE 2010

FINANCE DIRECTOR'S REPORT

FINAL OUTTURN REPORT FOR 2009/10	FOR INFORMATION

1 Introduction

1.1 This report compares ELWA's final out-turn for the year ended 31 March 2010 with the Revised Estimate approved in February 2010 and is based on information supplied by Shanks.east London and the four Councils.

2 Revenue Estimates

2.1 Members have received budgetary control reports throughout 2009/10 containing explanations of the major variances of actual expenditure and income against the estimates for 2009/10.

2.2 Based on the Revised Estimate of £47,888,000 and the final outturn figure for net expenditure and transfers to/from reserves of £47,665,000, the revenue expenditure underspend for 2009/10 is £223,000. A detailed analysis is presented at Appendix A to this report. The main variances are as previously reported and noted below:

2.3 Employee costs have underspent by £28,000 as a result of the position of Contract Monitoring Officer remaining vacant through out the year. There has been a further underspend of £21,000 for premises related expenditure due to lower than anticipated cost for pumping and building and ground maintenance charges.

2.4 The payment to Shanks East London was lower than projected in the revised estimate. This is due to lower than expected levels of recycling by Shanks East London, which in turn has reduced the recycling supplement paid by ELWA by £60,000.

2.5 Within our third party payments, there are underspends with regard to disposal credits (£25,000) and Recycling Initiatives, where the positive variance of £98,000 is predominantly due to reduced spend on recycling initiative programmes.

2.6 During 2008/09, £333,000 was written off as impairment to the £1,000,000 investment with Heritable Bank. Following recent advice from Ernst and Young, the expected dividend on the claim is now higher than expected at 84.98%. As a result of this, an adjustment of £63,000 has been made.

2.7 The revised budget anticipated a shortfall in commercial waste income, but the actual outturn position has been even lower than anticipated, with an adverse variance of £293,000 against the revised estimate. This is predominantly arises from servicing a lower number of businesses within the constituent Councils than was budgeted.

2.8 This is mitigated by additional income of £119,000 on interest receivable. There is also a positive variance of £86,000 on other income; this is due to more royalty income received by ELWA as a result of additional work undertaken by Shanks East London.

2.9 Members should note that the utilisation of the 2009/10 Contingency was £50,000 lower than the revised estimate.

2.10 The final revenue under-spend and unutilised contingency for the year will be carried forward and this will be used to help minimise any levy increase for 2011/12. A breakeven position was anticipated when setting the revised budget for 2009/10 and this has allowed the Authority to set a lower than anticipated levy in 2010/11.

2.11 Due to market conditions there have been no sales of surplus Landfill Allowance Trading Scheme (LATS) allowances for the year ended 31 March 2010 and the balance to date of LATS allowances has been written off.

2.12 The effect of the levy, net expenditure and appropriations to/from reserves in 2009/10 on working balances is summarised below:

	£'000
Working Revenue Balance at 1.4.2009	10,157
Final Revenue Surplus in 2009/10	223
Final Working Balance at 31.3.2010	**10,380**

2.13 The year-end balance on the PFI Contract Reserve is £10,767,000 and on the Capital Reserve is £400,000.

3 Private Funding Initiative (PFI) & IFRS (International Financial Reporting Standards)

3.1 The 2009/10 Statement of Accounts have been finalised and are subject to approval later on the Agenda. There have been significant changes to the accounting standards for 2009/10, predominantly the way in which we account for PFI and leases. Appendix B provides a summary reconciling the net expenditure of the Authority to the deficit in the accounts following the various accounting adjustments that needed to be made.

4 Capital Programme

4.1 No capital expenditure or financing was incurred during 2009/10.

5 Prudential Indicators

5.1 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. The Finance Director monitors these on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.

5.2 The Treasury Management Strategy, including borrowing and investment strategies, is approved by Members on an annual basis. Members agreed the current Treasury Management Strategy at your meeting in February 2009. Within this, the investment strategy defines a comprehensive and rigorous range of credit rating criteria.

5.3 A cautious approach to investment activity continues to be maintained and all investment decisions are made in accordance with the Authority's creditworthiness criteria.

5.4 In order to maintain flexibility in an environment where investment opportunities are limited, the lending list is reviewed regularly. Lending limits for the highest rated counterparties have been increased in order to allow us to take advantage of slightly higher interest rates for deposits with terms of 6 months to one year. In addition Officers have looked at opportunities to extend the lending list to include a few very secure foreign banks in order to increase the lending options for the Council during 2010/11.

6 Recommendation

6.1 Members are asked to note this report.

Geoff Pearce
FINANCE DIRECTOR

Appendices
A Final Outturn Statement to 31 March 2010
B Reconciliation to Financial Statements

Background Papers
None