

**AUTHORITY REPORT: FINAL FINANCIAL OUTTURN REPORT FOR 2010/2011**

**1. Confidential Report**

No

**2. Recommendations:**

- 2.1 To note this report.
- 2.2 To agree the carry forward of £100,000 into 2011/12 to cover service pressures.

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**3. Purpose**

- 3.1 To provide a summary of the financial outturn for ELWA for the year 2010/11.

**4. Background**

- 4.1 This report compares ELWA's final out-turn for the year ended 31 March 2011 with the revised revenue budget approved in February 2011 and is based on information supplied by SEL and the four Constituent Councils.
- 4.2 Budgetary control reports are presented for monitoring and control purposes.

**5. Revenue Estimates**

- 5.1 Members have received budgetary control reports throughout 2010/11 containing explanation of the major variances of actual expenditure and income against the estimates for 2010/11.
- 5.2 Based on the Revised Budget of £49,920,000 and the final outturn figure for net expenditure and transfers to/from reserves of £49,455,000, the revenue expenditure under spend for 2010/11 is £465,000. A detailed analysis is presented at Appendix A to this report. The main variances are noted below:
- 5.3 As mentioned in previous budgetary control reports, payments to SEL have been lower than expected due to lower delivered tonnages from the boroughs. This has resulted in a current favourable variance of £320,000.
- 5.4 Commercial Waste has exceeded its income target by £151,000. Members will be aware from previous budgetary control reports that commercial waste income is above target due to LBH and LBBD having continued to use this facility but not being included within the original budget owing to their request to withdraw from the service.
- 5.5 The main areas of pressure throughout the year were Bank Interest Receivable and Employee and Support Services. Bank interest receivable has under recovered by £52,000. This is because interest rates have remained lower than those estimated when the budget was agreed. A significant part of the employee and support services overspend relates to additional costs resulting from the departure of the Executive Director and the appointment of the Managing Director as well as the Authority's pension costs commitment. Information relating to these additional costs were only provided by LBBD available towards the end of the financial year making it difficult for action to be taken to minimise any overspend. Work is ongoing to improve the information flows in this area.
- 5.6 In 2010/11, £30,000 was earmarked for furniture and fittings with regard to the move to new premises. Members will be aware that this move has yet to occur but is likely to do so sometime in 2011/12.
- 5.7 As part of the levy setting process a contingency is set and this amounted to £150,000. As agreed by ELWA this has been utilised in 2010/11 and 2011/12 for the transitional arrangements to support the improvement in recycling performance. Recognising that the existing contingency is largely committed in 2011/12 and given the under spend in 2010/11 the Managing Director/Directors consider it prudent that £100,000 of the 2010/11 under spend is carried forward into 2011/12 to cover

potential pressures and risks facing the Authority and Members are therefore requested to approve this.

- 5.8 The final revenue under-spend for the year will be moved to reserves and be used to help minimise any levy increase for 2012/13.
- 5.9 The effect of the levy, net expenditure and transfers to reserves in 2010/11 on working balances is summarised below (before the £100,000 transfer if agreed):

	£'000
Working Revenue Balance at 1.4.2010	8,103
Transfer 10/11 to support the levy	(1,978)
Final Revenue Surplus in 2010/11	<u>465</u>
Final Working Balance at 31.3.2011	<u><u>6,590</u></u>

- 5.10 The year-end balance on the PFI Contract Reserve is £7,664,000 and on the Capital Reserve is £400,000.

## 6. Prudential Indicators

- 6.1 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. These are monitored by the Finance Director on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.
- 6.2 The prudential indicators are reviewed on a regular basis and all activities have been contained within the indicators as shown in the table below.

<b>Authorised Limit for External Debt</b>	<b>Revised Limit 2010/11 £'000</b>	<b>Actual to 31/03/11 £'000</b>
Borrowing	13,010	1,610
Other Long Term Liabilities	105,000	99,664
<b>TOTAL</b>	<b>118,010</b>	<b>101,274</b>

<b>Operational Boundary for External Debt</b>	<b>Revised Limit 2010/11 £'000</b>	<b>Actual to 31/03/11 £'000</b>
Borrowing	5,000	1,610
Other Long Term Liabilities	105,000	99,664
<b>TOTAL</b>	<b>110,000</b>	<b>101,274</b>

- 6.3 The Authority sets Prudential Indicators covering borrowing, lending and capital expenditure limits. These are monitored by the Finance Director on a monthly basis and the Authority remains within the limits set by the Prudential Indicators.

## 7. International Financial Reporting Standards

- 7.1 The financial year 2010/11 is the first year in which the statement of accounts must be fully compliant with International Financial Reporting Standards, although Members will be aware that compliance against IFRS began in the 2009/10 financial statements.
- 7.2 This process is a particularly complex one and will result in lengthier and more detailed financial

statements. However, we remain on course to complete a set of financial statements by the statutory deadlines.

**8. Changes to the statutory audit and accounts regulations**

8.1 The statutory legislation underpinning the production of local authority accounts was amended in March 2011 and come into force from the 31st March 2011. One of the principal changes to these regulations is around the signing, approval and publication of accounting statements.

8.2 In previous years, the Authority has had to approve a set of draft financial statements by the 30th June 2011. This is no longer required and it is now the responsibility of the ‘responsible financial officer’ to

- a. sign and date the statement of accounts, and
- b. certify that it presents a true and fair view of the financial position of the body at the end of the year to which it relates and of that body’s income and expenditure for that year.

8.3 By the 30th September, a final, audited set of financial statements must be presented to the Authority and signed by the Chairman of the Authority. Following this meeting, the Statement of Accounts must be published on ELWA’s website in a timely manner.

**9. Conclusion**

9.1 The production of ELWA’s financial statements is ongoing but remains on course to be completed by the 30th June 2011. The Finance Director will provide an up-to-date summary of our progress at your meeting.

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**10. Relevant officer:**

Geoff Pearce, Finance Director / e-mail: [finance@eastlondonwaste.gov.uk](mailto:finance@eastlondonwaste.gov.uk) / 020 8708 3588

**11. Appendices attached:**

Appendix A: Budget Monitoring Statement to 31 March 2011

**12. Background Papers:**

Budgetary Control Reports for the financial year 2010/11

**13. Legal Considerations:**

None

**14. Financial Considerations:**

As outlined in this report

**15. Performance Management Considerations:**

None

**16. Risk Management Considerations:**

None

**17. Follow-up Reports:**

A final, audited set of financial statements by the 30th September

**18. Websites and e-mail links for further information:**

None

**19. Glossary:**

Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.

ELWA = East London Waste Authority

IFRS = International Financial Reporting Standards

LBBD = London Borough of Barking & Dagenham

LBH = London Borough of Havering

LBN = London Borough of Newham

LBR = London Borough of Redbridge

SEL = Shanks.east london

**20. Approved by Management Board:**

13 June 2011

**21. Confidentiality:**

Not applicable