

AUTHORITY REPORT: BUDGETARY CONTROL TO 30 APRIL 2011

1. Confidential Report

No

2. Recommendations:

2.1 To note this report.

3. Purpose

3.1 This budgetary control report compares ELWA's actual expenditure for the month ended 30 April 2011 with the original revenue estimates approved in February 2011 (minute 2010/57) and is based on information supplied by SEL and the four Constituent Councils.

3.2 Budgetary control reports are presented for monitoring and control purposes.

4. Background

Revenue Estimates

4.1 Based on the profiled budget of £4,135,000 and the actual net expenditure on services of £3,637,000, the under spend for the period is £498,000 (see Appendix A). The main cause of this is the one off receipt of £500,000 from Shanks payable as part of the negotiations for the sale of ELWA shares as detailed in paragraph 4.5 below.

4.2 The principal activity driver on ELWA's budget is the level of waste tonnage delivered from the constituent councils. The general trend during 2010/11 was that waste levels were below that expected but this is an area that remains susceptible to fluctuation and will need to continue to be closely monitored throughout the financial year.

4.3 Other costs consist of Service Level Agreement costs for all four boroughs, recycling initiatives, office and administration costs, rates, pumping, trade effluent charges and various other expenses. Costs are profiled evenly throughout the year and actual costs incurred have been lower than the profiled monthly budget figure for April. Income is slightly below profiled budget.

4.4 ELWA's Contingency sum for 2011/12 is £150,000. In February 2009 (minute 1638) it was agreed to provide additional transitional financial support to LBR to improve recycling performance as LBR is unable to benefit from the distribution of savings provided through the Optibag scheme. Most of the contingency (£144,000) has been allocated for this purpose. Elsewhere on the agenda is the report on the 2010/11 outturn position and one of the recommendations in that report is to carry forward £100,000 of the under spend as an additional resource to cover potential budget pressures and any unforeseen developments. Should Members agree this recommendation there would therefore be £106,000 remaining as a contingency.

4.5 Members will recall the agreement to Shanks disposing of its 'B' and 'C' shares. This was linked to the requirement of Shanks agreeing to improved performance targets. In addition it was agreed that Shanks would pay £500,000 to ELWA if their funders' agreement to this was not obtained by 31st March 2010. In the event this deadline was not met and the £500,000 has now been paid to ELWA and is included in the statement under other income in Appendix A.

4.6 As Members will be aware, I reported in the 2011/12 levy setting report, presented to you in February 2011, that levy increases in the order of 10% over the next three financial years could not be avoided without either a reduction in the cost of the contract or in the amount of waste to be disposed of. I also highlighted that these levy increases were being mitigated by an unsustainable use of our reserves and that in the medium term, attention would be needed to build these reserves back up to deal with risks the Authority faces at the end of the life of the contract. Therefore, the use of this £500,000 needs to

be considered during the 2012/13 Budget Strategy and levy setting process in the context of best managing the pressures we face in restraining short term levy increases and the need in the longer term to restore the level of reserves that ELWA holds.

- 4.7 The importance of robust monitoring of the financial position throughout the year remains and it is essential that remedial action can be swiftly taken on areas of over spend or insufficient income collection.

Prudential Indicators

- 4.8 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.

5. Conclusion

- 5.1 Excluding the issue regarding the sale of shares the over spend for the period is £2,000. This is the first month of the new 2011/12 financial year and therefore it is too early to identify whether there will be pressures in key areas that impact on the ability to maintain spend within budget.

6. Relevant officer:

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7. Appendices attached:

Appendix A: Budget Monitoring Statement to 30 April 2011

8. Background Papers:

7 February 2011 - Revenue & Capital Estimates and Levy 2011/12 report & minute 2010/57

12 February 2009 - IWMS Contract – Service Delivery Plan 2010/11 to 2014/15 (5 Year) (Implementation of the Joint Municipal Waste Management Strategy) – Confidential report & minute 2009/39

9. Legal Considerations:

None

10. Financial Considerations:

As outlined in this report

11. Performance Management Considerations:

None

12. Risk Management Considerations:

Current position results in no change to present risk profile.

13. Follow-up Reports:

Yes, next meeting

14. Websites and e-mail links for further information:

None

15. Glossary:

Constituent Councils = London Boroughs of Barking & Dagenham, Havering, Newham and Redbridge.
ELWA = East London Waste Authority
LBR = London Borough of Redbridge
SEL = Shanks.east london

16. Approved by Management Board:

13 June 2011

17. Confidentiality:

Not applicable