

**AUTHORITY REPORT: BUDGETARY CONTROL TO 31 AUGUST 2011**

1. Confidential Report

1.1 No.

2. Recommendations:

2.1 To note this report.

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3. Purpose

3.1 This budgetary control report compares ELWA's actual expenditure for the period ended 31st August 2011 with the original revenue estimates approved in February 2011 taking into account the agreed carry forward from 2010/11. It is based on information supplied by Shanks East London, ELWA technical officers and the four Constituent Councils.

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

3.3 Budgetary Control reports presented to Members will now include a column which shows the projected financial outturn at year-end. This provides additional management information on the overall financial projection with the outturn at year end having a potential impact on the levy and level of reserves.

4. Background

Revenue Estimates

4.1 Based on the profiled budget of £13,280,000 and the actual net expenditure on services of £13,020,000, the under spend for the period is £260,000 (see Appendix A). The main cause of this is the savings that have been made in the IWMS contract (paragraph 4.3). ELWA does however face some budget pressures, most notably in respect of commercial waste income.

4.2 Non-contractor costs such as employees, premises costs and third party payments are generally profiled evenly through the year. At this stage no variations against budget at year end are anticipated except a small overspend against premises costs (ELWA's new office).

4.3 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. However, Members are aware that arrangements are now in place that require the public to show proof of residence at Reuse and Recycling Centres. Initial

analysis suggests a significant saving has already been made to date. ELWA officers need to continue to monitor their management information systems so as to be able to understand the ongoing impact of this initiative. While this work is continuing it has been assumed that for the remainder of the financial year that tonnages are in line with the ABSDP and on this basis a favourable year end variance of £500,000 is projected.

- 4.4 Commercial waste income is below profiled budget and at year end it is projected based on ELWA technical officer advice that there will be an under recovery of £215,000. This is due to a projected reduction in the amount of commercial waste delivered to ELWA by Havering and Redbridge and in particular Newham which has stopped its skip service.
- 4.5 ELWA's original Contingency sum for 2011/12 was £150,000. Members were advised at the last meeting that in February 2009 (minute 1638) it was agreed to provide additional transitional financial support to Redbridge to improve recycling performance as Redbridge was unable to benefit from the distribution of savings provided through the Optibag scheme. Most of the original contingency has therefore been allocated for this purpose and this is included in the recycling initiatives budget. In order to have a working contingency, it was agreed at your last meeting to carry forward £100,000 of the 2010/11 underspend into 2011/12 and this, together with £6,000 remaining from the original contingency was allocated as a resource in 2011/12 to cover potential budget pressures and unforeseen developments.
- 4.6 The pressure on the levy and the reserves over the next few years has been previously reported to Members. Given this it is important that robust monitoring of the financial position throughout the year remains in place and it is essential that remedial action can be swiftly taken on areas of over spend or insufficient income collection should they occur.

#### Prudential indicators

- 4.7 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 The net underspend for the period is £260,000 (projected end of year underspend £371,000) and this is due to reduced IWMS contract costs partly offset by other budget pressures. This together with the previously reported payment from the contractor in respect the agreement to dispose of its 'B' and 'C' shares will make a useful addition to the Authority's reserves but will not be sufficient in itself to avoid

large increases in the levy over the next few years.

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**6. Relevant officer:**

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

**7. Appendices attached:**

Appendix A: Budget Monitoring Statement to 31 August 2011

**8. Background Papers:**

7 February 2011 – Revenue & Capital Estimates and Levy 2011/12 Report & Minute No. 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 No. 2009/39

27 June 2011 – Budgetary Control to 30 April 2011 Report & Minute No. 2011/8

**9. Legal Considerations:**

None

**10. Financial Considerations:**

As outlined in the report.

**11. Performance Management Considerations:**

The financial position and projections should reflect service performance trends.

**12. Risk Management Considerations:**

Current position results in no change to present risk profile.

**13. Follow-up Reports:**

Budgetary Control Report, next meeting

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

None.

**15. Glossary:**

ABSDP = Annual Budget & Service Delivery Plan

ELWA = East London Waste Authority

IWMS = Integrated Waste Management Strategy

16. **Approved by Management Board:**

12 September 2011

17. **Confidentiality:**

Not applicable