

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

**1. Confidential Report**

1.1 No

**2. Recommendation:**

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 December 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.

**4. Background**

Revenue Estimates

4.1 Based on the profiled budget of £39,800,000 and the actual net expenditure on services of £38,626,000, the under spend for the year to date is £1,174,000 (Appendix A). This favourable variance is mainly due to savings made in the IWMS contract which has offset budget pressures elsewhere in the accounts, most notably in respect of commercial waste income.

4.2 The principal activity driver on ELWA's budget is the level of waste tonnage delivered from the constituent councils and the means by which this waste is disposed. The general trend during this financial year has been that waste levels are below that expected when the budget was set. The year to date variance of £1,102,000 also reflects the success of new arrangements that require the public to show proof of residence at Reuse and Recycling Centres, improved diversion performance by the contractor, as well as the reductions in commercial waste tonnages received.

4.3 This budget remains susceptible to fluctuation and needs to continue to be closely monitored. The outturn projected underspend of £1,600,000 assumes that lower tonnages will continue for the remainder of the financial year, as well as reflecting that recycling performance levels are normally lower during winter months.

4.4 The underspend on payments to Shanks also includes savings associated with the Solid Recoverable Fuel (SRF) diversion proposal agreed at your September meeting. However, this figure is based upon the availability of just one month's performance data. ELWA officers receive monthly information on the implementation of this scheme. If further management information demonstrates a sustained, higher level of diversion for the remainder of this financial year, this may result in a further increase in the year end underspend.

4.5 Employee costs show a year to date underspend of £98,000 reflecting savings in Agency staff and recruitment costs as well as the non filling of a vacant post. Other supplies and services costs are currently under spent by £65,000. This mostly relates to Biodegradability Testing which has not been needed this year.

4.6 Commercial waste income continues to be below its profiled budget. This is due to a reduction in the amount of commercial waste delivered to ELWA by Havering and Redbridge and in particular Newham which has stopped its skip service. ELWA officers advise that there will be a year end under recovery of £300,000.

4.7 The 2011/12 projected outturn variance is £1,661,000. It is recommended that this increased amount of the underspend is used to minimise the 2012/13 levy increase, the proposals of which are presented elsewhere on the agenda.

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 The net underspend for the period to date is £1,174,000, with a year end projected underspend of £1,661,000. This is mainly due to reduced IWMS contract costs.

5.2 If further savings are generated from the SRF diversion or there continues to be a decline in waste tonnage levels, then this will lead to an increased reduction in IWMS contract costs and a further increase in the year-end underspend position.

5.3 This will continue to be closely monitored on a monthly basis throughout the remainder of the financial year.

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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 December 2011

**8. Background papers:**

7 February 2011 - Revenue & Capital Estimates and Levy 2011/12 Report & Minute No. 2010/62

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. 1638

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

26 September - Budgetary Control to 31 August 2011 Report & Minute No. 2011/20

28 November – Budgetary Control to 31 October 2011 Report & Draft Minute.

**9. Legal considerations:**

9.1 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:**

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

ELWA = East London Waste Authority

IWMS = Integrated Waste Management Strategy

**16. Approved by management board**

23 January 2012

**17. Confidentiality:**

Not Applicable.