

AUTHORITY REPORT: REVENUE & CAPITAL BUDGETS AND LEVY 2012/13

1. Confidential Report

1.1 No

2. Recommendation:

2.1 Members are asked to agree:

- a) The revised budget for 2011/12 totalling £53,336,000;
- b) The revenue budget for 2012/13, totalling £52,956,000 excluding contributions from reserves;
- c) The charges for commercial and industrial waste for 2012/13

Commercial & Industrial Waste – recycled	£70 per tonne
Commercial & Industrial Waste – other	£117 per tonne;
- d) That on the basis of 2b to 2c above, ELWA determines its levy for 2012/13 the sum of £44,749,000;
- e) The policy on Reserves and associated criteria;
- f) The continuation of existing arrangements for the payment of the levy and commercial and other waste charges.

3. Purpose

- 3.1 To agree revenue budget for 2012/13.
- 3.2 To determine the ELWA Levy for 2012/13.

4. Executive Summary

- 4.1 This report sets out to provide the Authority with information to agree the ELWA revenue budget for 2012/13 and to determine the levy for each constituent council. The proposals set out in this report have been prepared in accordance with the 2012/13 to 2014/15 ELWA financial strategy as agreed at the November 2011 Authority meeting.
- 4.2 In the financial strategy report, Members were informed of an indicative average increase in the ELWA levy of 4.1%. Members were also informed that this levy figure may change following updated tonnage figures for each borough and further management information on ELWA's recent initiative to divert Solid Recovered Fuel (SRF) away from fuel and towards European markets.
- 4.3 Initial management information has demonstrated that the SRF scheme has successfully diverted waste from landfill and subsequently created additional financial savings.
- 4.4 The financial savings are two fold. Firstly it creates a further budgetary saving in the 2011/12 financial year as this scheme was devised and implemented in year and was therefore not part of the assumptions when setting the 2011/12 budget. The budgetary control report elsewhere on your agenda reports that the projected underspend has now increased to £1,661,000. It is recommended that the increase in underspend is used to dampen any levy increase in 2012/13.
- 4.5 Furthermore, ELWA officers have been able to advise that from reviewing this recently available information on the SRF diversion scheme, there is likely to be an improved diversion rate from that that was used in the modelling of the estimated 2012/13 levy that was presented to you in November 2011. This has also means that the 2012/13 budget has reduced by approximately £1,000,000.
- 4.6 All other budget assumptions for setting the 2012/13 levy such as landfill tax increases, the impact of the Olympics and additional income streams remain in line with that reported to you in the Budget Strategy report in November 2011. It is important to stress that the proposed levy has been set on the basis that the Authority continues to run down the level of reserves in the short term. The proposed Levy for 2012/13 assumes a transfer £6,639,000 from PFI reserves with £67,000 drawings from revenue reserves. However, this is not a sustainable policy and in the medium term, it is

proposed reserves are increased so that ELWA can effectively manage the transition and risks that will need to be faced at the culmination of the PFI contract.

- 4.7 These new factors have meant that this report is now proposing a 2012/13 average levy increase of 0%. However, this is an average and not the level for any borough.
- 4.8 As noted in the November 2011 report, the actual levy payments of each individual council is based on
- a) waste tonnage levels for costs attributable to household waste
 - b) Council Tax band D properties numbers to apportion other costs such as Reuse and Recycling Centres.
- 4.9 Constituent Councils have seen different changes in their comparative waste tonnage levels and band D property numbers. For example; LB Newham have seen significant reductions in their waste tonnage levels compared to the other constituent councils whose waste tonnage levels have remained relatively fixed. This means that whilst the overall proposed levy increase is zero, it masks a wide spread of changes amongst the four constituent councils. The individual levy for each constituent council is

LB Barking and Dagenham	£8,507,000	(an increase of 4.4%)
LB Havering	£10,956,000	(an increase of 0.6%)
LB Newham	£13,293,000	(a reduction of 5.0%)
LB Redbridge	£11,993,000	(an increase of 2.4%)

- 4.10 The LB Newham figures do not include the additional charge to LB Newham for Olympic related tonnages. This charge is based on 5,000 tonnages and expected to be in the region of £500,000.
- 4.11 However, Members' attention is drawn to the current projections for the ELWA levy in 2013/14 and 2014/15, which stand at 12.4% and 6.7% respectively. If increases at this level are to be avoided, work must continue to progress between ELWA, constituent councils and Shanks to find further ways to reduce costs.
- 4.12 The ELWA Management Board supports the contents and recommendations, and the Finance Service of each constituent council has been consulted on and advised of the potential levy increases.

5. Background

- 5.1 This report sets out the background to the levy, the assumptions and cost pressures determining the levy, the strategic use of reserves to mitigate cost increases to Boroughs and the revenue estimates for 2012/13. Members are asked to consider these matters and determine the levy for 2012/13.
- 5.2 The key strategic themes of this report were set out in the Financial Projection and Budget Strategy 2012/13 to 2014/15 report as agreed at the 28th November 2011 Authority meeting. The Constituent Authorities were made aware of this and the proposed levy increase.
- 5.3 ELWA is required to inform the constituent Councils as to the amount of its levy requirement by the 15th February each year. The levy is made by issuing a demand to each Council, specifying the dates on which payment is to be made and the amounts involved.
- 5.4 There is no specific power enabling ELWA to make a supplementary levy during the course of the year should it require additional resources due to unforeseen circumstances.
- 5.5 The levy requirement is made up of the ELWA budget plus any contingency provisions, and drawings from/ contributions to reserves including the PFI reserve.
- 5.6 ELWA recommended and its constituent Councils unanimously agreed to the following levy apportionment arrangements with effect from 2002/03:
- a) A levy based on waste tonnage for costs attributable to Household Waste;

b) A levy based on Council Tax Band D to apportion other costs attributable to, for example, Reuse and Recycling Centres, Aveley I landfill site.

5.7 At the September 2010 meeting ELWA agreed to maintain this levy apportionment arrangement and to wait until the 2013/14 levy setting process to formally review the Levy methodology once more.

5.8 In respect of the Equalities Impact Assessment of the proposals, this report builds on previous decisions by the Authority and at the point the decisions were made there were no equality issues. The only proposal underpinning the setting of this levy that has not been subject a previous Authority decision is the one to raise commercial waste charges. This proposal has been subject to an equality impact assessment by the Managing Director and he advises that this proposal does not have any impact on any one group.

6. Cost Pressures on Revenue Budget

6.1 The two broad determinants of the levy are the costs facing ELWA mainly from the Integrated Waste Management Contract and secondly, the ability to use reserves to mitigate against these cost pressures. The following paragraphs detail the main cost pressures.

Annual Budget and Service Delivery Plan (ABSDP)

6.2 The key item within the revenue budget is Shanks East London's Annual Budget and Service Delivery Plan (ABSDP) which forms approximately 95% of ELWA's total gross expenditure. The provisional ABSDP for 2012/13 assumed a total ELWA Waste figure of approximately 435,000 tonnes. A significant reduction partly brought about by the introduction of documentation checks at Recycling and Re use sites (RRC). ELWA technical officer advice is that tonnage delivered to RRC sites reduced by 20% in 2011/12 compared to 2010/11. The current provisional contract cost forecast based on the draft ABSDP for 2012/13 is £53,958,000 which forms approximately 95% of ELWA's total gross expenditure. This is a decrease of 0.1% compared to 2011/12.

6.3 The revenue budget has accounted for further increases in landfill tax of £8 per tonne each year. However, due to the increased diversion rate the overall land tax liability has reduced for the Authority between 2011/12 and 2012/13.

6.4 Under the IWMS contract, landfill tax is met by Shanks up to £15 per tonne. ELWA bears the excess over £15 on the levels of landfilled waste provided the contractor has achieved the contracted diversion from the landfill target.

6.5 As a consequence of additional Landfill Tax rate rises, the revenue budget has assumed subsequent increases in commercial waste disposal charges to the boroughs of the equivalent amount.

6.6 These Financial Projections and Budget Strategy assume no income for the anticipated surplus Landfill Allowances accruing to the Authority nor any penalties for any potential deficit of Landfill Allowances for the years 2012/13 to 2014/15. This is because the current value of any sale of surplus allowances is likely to be nil.

6.7 Managing waste levels is a key pressure for constituent Councils and it will be affected by the pace of development of the Thames Gateway and the impact of the Olympics and its legacy, which could significantly add to waste growth over the next decade. Based on technical officer advice, an estimated increase in tonnages of 5,000 tonnes for 2012/13 has continued to be reflected in the gross projection to allow for the impact of the Olympics.

6.8 Members agreed at the Authority meeting of 28th November 2011 that Newham would be charged separately in 2012/13 for its tonnage relating to the Olympics as this Authority will receive Central Government Grant funding. This was estimated to be 5,000 tonnages (equivalent to £500,000). The levy increase in 2012/13 assumes that there will be an additional charge to Newham as well.

6.9 As required in the contract, annual cost inflation has been built into the projections. This is based on the Retail Price Index excluding mortgages (RPIX), at the previous October each year (at 80%). At the 80% level, this is 4.5% for 2012/13 and projected to be 3.0% for 2013/14 and 3.0% for 2014/15.

- 6.10 Members agreed a report in September 2011 which detailed a proposal from Shanks for an increased level of diversion of Solid Recovered Fuel (SRF) from landfill. In the Financial Projection and Budget Strategy Report agreed in November 2011, Members were advised that it was anticipated that for this levy setting report, there would be sufficient data on this proposal to build into the levy setting projections. The budget projections in this report as assumed by the Managing Director assume an increased level of diversion of solid recovered fuel, and although this leads to a greater cost of diversion there is a net saving when the reduced land tax liability is taken into account. The diversion rate assumed for 2012/13 is 75%. ELWA technical officers advise that in December 2011, 2,700 tonnes of SRF were diverted and this is compatible with the rate assumed for 2012/13.
- 6.11 Elsewhere on the agenda is a report showing the budgetary control and projected outturn position for 2011/12. This shows a projected underspend at year end of £1.661 million. In the Financial Projection and Budget Strategy report agreed in November, it was noted that the revenue underspend would allow the reserves to rise. At the end of November the net revenue underspend was £960,000 and this has been used to supplement projected reserves. The updated revenue underspend projection in 2011/12 is £1.661 million and it is proposed that the additional £701,000 is used directly to support the levy.

Non-Contract Costs

- 6.12 In the non contract costs part of the budget net economies have been found. These mainly relate to reduced contract monitoring costs and the deletion of the disposal credits budget.

Income

- 6.13 ELWA receives interest on its balances and the total income generated depends on the level of balances and interest rates. ELWA's Treasury Management Strategy continues to focus on security rather than returns. Interest rates remain low and it is proposed that the budget for bank interest receivable is set at £200,000.

Commercial and industrial waste charges

- 6.14 There are some other income streams within the revenue budget projections. These are commercial waste charges to the Boroughs and trade waste royalty income.
- 6.15 Commercial Waste tonnage is anticipated to show a decrease over the three-year period compared to the level assumed in the original 2011/12 Revenue Budget. This reflects reduced tonnage levels.
- 6.16 ELWA makes charges to Boroughs for commercial and industrial waste disposal based on the tonnage disposed of. Under the IWMS contract Shanks must accept and deal with this waste.
- 6.17 To reflect the increased cost of landfill tax and inflation within the IWMS contract it is the view of the ELWA Technical officers that the normal charge for 2012/13 is increased from £107 to £117 per tonne, £5 of the increase relates to inflation and £5 to the landfill tax. A charge of £70 would remain for recycled waste.
- 6.18 Taking account of the above it is proposed that for the next three years income from Commercial Waste charges are set approximately at the 2011/12 projected outturn level.
- 6.19 The Authority receives royalty income in respect of the waste Shanks processes in any of ELWA's facilities. This relates to waste from other Boroughs and some commercial waste. Based on ELWA technical officer advice, the projected income in 2012/13 will be £310,000.

Capital Expenditure

- 6.20 Through the IWMS contract, Shanks east London has had a major capital programme for the provision of new waste disposal facilities and the refurbishment of existing ones in the ELWA area. The costs of this are reflected within the contract charges.

- 6.21 In addition, consideration will be given by ELWA Officers to making bids for additional funding in appropriate circumstances including recycling and composting initiatives, but no bids are planned at the moment.
- 6.22 ELWA has had reports on developing its closed landfill sites. Capital works are not anticipated but cannot be ruled out. If such work is required, a report will be brought to Members.
- 6.23 Existing capital financing charges are taken account of in the revenue estimates. In 2012/13 these are slightly reduced from the 2011/12 budget level due to some debt being paid off.

Summary

- 6.24 The table below summarises the movement and the increase in cost pressures which will have a direct impact on the levy.

	£m	Reference
Original Budget 2011/12	53.3	
Shanks contract – Increased recycling diversion costs	2.6	Para. 6.10
Shanks contract – Increase due to inflation	2.4	Para. 6.9
Residual landfill tax increase	1.0	Para. 6.3
Changes in Tonnage	(3.1)	Para. 6.2
Change in income	0.3	Para. 6.13 to 6.19
Reduced net landfill tax (greater diversion)	(3.0)	Para. 6.10
Newham Olympics tonnage – separate charge	(0.5)	Para. 6.8
Proposed Budget for 2012/13	53.0	

- 6.25 Although there is a reduction in cost pressures there is no corresponding reduction in levy because of the reduced dependence on reserves in 2012/13.

7. Reserves Strategy

- 7.1 The approach to reserves is a continuation of our long-term strategy. A higher level of reserves was put in at the start of the contract due to the uncertainty around the innovative nature of the contract, the technologies used and planning risk. Once the contract was established, reserves have been reduced in stages to an appropriate level. As part of the Levy setting report in February 2011 I advised that there would need to be a process in the medium-term to build up the reserves to reflect risks that may arise towards the end of the life of the PFI asset. Consequently I advised as part of the Financial Projection and Budget Strategy report in November 2011 that at the end of 2014/15 there would be an overall increase of reserves of £1.14 million compared to the original projection to the end of 2013/14).
- 7.2 The Authority’s Auditors in their Annual Reports over recent years have commented favourably on the Authority’s medium to long-term approach to financial planning. This includes the need for the Authority to continue to monitor and agree the level of reserves it holds.

PFI Reserve

- 7.3 The PFI reserve was put in place to smooth the IWMS contract step price increases in the early years of the contract. It was good financial practice and agreed ELWA policy that a suitable level of PFI Contract Reserve be set aside in the years prior to such changes to avoid large step increases in the levy for those years. It is proposed that the PFI reserve remains. Since then other pressures outside ELWA control such as the annual increases in landfill taxes have required financing. With Members agreement, the PFI grant has been used to support this. The current government policy is that the landfill tax will increase annually by £8 per tonne over the next three years to a cap of £80. It is

proposed that the PFI reserve will be used to support the impact of these tax increases on the levy to constituent councils. PFI reserves are projected to stand at £3.0 million at 31st March 2013 with further transfers in 2013/14 and 2014/15.

7.4 The effect on PFI reserves in 2011/12 and 2012/13 is shown below:-

	£'000
Balance at 31.3.11	7,664
PFI credit received 2011/12	3,991
Net transfer to support levy 2011/12	(5,987)
Estimated working balance at 31.3.12	5,668
PFI credit to be received 2012/13	3,991
Net transfer to support levy 2012/13	(6,639)
Projected balance at 31.3.13	3,020

7.5 The Department of Communities and Local Government in January 2011 advised that the annual PFI grant would be paid on an annuity basis rather than the declining balance basis with a final payment made in 2026/27. The main impact of this is in the short term is that for the next three years the Authority will receive additional PFI grant of approximately £1.3 million compared to the position if the grant had continued to be paid on the declining balance basis

7.6 As part of the setting of the levy in 2011/12 Members agreed to use the additional grant over the 3 year period to reduce the levy requirement and it is proposed to continue this policy. The table in paragraph 7.4 takes account of the additional income.

Revenue Reserves

7.7 Members will be aware that in previous budget reports the Authority has agreed to set aside a minimum level of normal operational revenue balances based on an analysis of risk. This has been undertaken as part of this Budget Strategy process. It is now estimated that the total level of reserves that need to be held are £5.0 million at the end of 2012/13. This level of revenue reserves must be seen in the context that a 2% increase in waste tonnage creates a cost pressure of £1 million on the Authority.

7.8 The effect on Revenue Reserves in 2011/12 and 2012/13 is shown below:-

	£'000
Working Balance at 31.3.2011	6,607
Net transfer to support Levy for 2011/12	(1,540)
Estimated Working Balance at 31.3.2012	5,067
Net transfer to support Levy for 2012/13	(67)
Projected Working Balance at 31.3.2013	5,000

The 2012/13 Contingency

7.9 In order to deliver a sustainable budget that is able to adapt to uncertainty, it is prudent for the Authority to set aside a provision or contingency for uncertain events.

7.10 The 2012/13 detailed Revenue Estimates do not include provision for pay and price rises. A contingency provision of £150,000 is recommended.

Capital Reserve

7.11 It is to be noted that there is a £400,000 Capital Reserve earmarked for future costs at the Aveley I site. In the opinion of ELWA Officers there continues to be the potential need for significant works e.g. concerning the proper environmental protection of the site and the continuation of existing operations on the site.

8. 2012/13 Levy/Three Year Period

2012/13 Levy

8.1 The levy requirement is made up of the ELWA net revenue estimate plus / minus any contingency provisions, and drawings from or contributions to reserves including the PFI reserve.

8.2 As part of the Financial Projection and Budget Strategy 2012/13 to 2014/15 agreed in November 2011, it was proposed that the two one off receipts (£500,000 from the contractor in respect of the agreement to dispose of 'B' and 'C' shares and £300,000 in respect of reimbursement of performance supplements paid by the Authority) were utilised to mitigate the 2012/13 levy increase.

8.3 The Finance Director's Financial Projection and Budget Strategy report agreed by Members on 28th November 2011 highlighted a potential increase in 2012/13 of 4.1%. The proposal now is no increase in the overall 2011/12 levy. The reason for the movement from 4.1% projected in November to a zero increase in this report is the proposed use of the additional underspend in 2011/12 directly to support the levy and the increased diversion rate based on the current operation SRF diversion.

Levies 2013/14 and 2014/15

8.4 The table below highlights a potential levy in the region of £50.3 million for 2013/14 and £53.7 million for 2014/15. The reserves position at the end of 2014/15 is projected to be £5.0 million for revenue reserves and £2.25 million for the PFI Contract reserve.

8.5 The levy forecasts for 2012/13 to 2013/14 clearly can only be taken as an attempt to provide an indication for planning purposes. However, a change in any of a number of uncertain factors, for example changes in landfill tax, waste growth, inflation assumptions and any new legislation could impact on the overall projections. The effect of the Olympics will mainly be felt in 2012/13 and Newham are to be charged separately for their tonnage.

8.6 The indicative levy position and reserve figures for the next three years based on the data used for the 2012/13 levy is summarised in the table below:

Summary Budget	2012/13 £'000	2013/14 £'000	2014/15 £'000
Revenue Budget	52,956	55,247	57,463
Annual PFI Grant	(3,991)	(3,991)	(3,991)
Transfer to PFI Reserve	3,991	3,991	3,991
Sub Total	52,956	55,247	57,463
Financed By			
Transfer from PFI Reserve	(6,639)	(4,963)	(3,789)
Transfer (from)/to General Reserve	(67)	0	0
2011/12 one off receipts/ underspend	(1,501)		
Levy	(44,749)	(50,284)	(53,674)
Levy Increase over previous year	0%	12.4%	6.7%
Year End Reserves			

PFI Reserve	3,020	2,048	2,250
Capital Reserve	400	400	400
General Reserve	5,000	5,000	5,000

- 8.7 The above year reserves projections reflect the current understanding and assessment by officers on the risks faced by ELWA. These matters will need to be kept under review and the advice may change in light of any future developments.
- 8.8 The levy for 2012/13 is recommended to be £44,749,000 including the contingency of £150,000 and after applying £6,639,000 from the PFI reserve and drawings from revenue reserves of £67,000. The levy assumes that there is also a separate charge to Newham for its Olympic tonnage.
- 8.9 Increases in the levy in future years are likely to put pressure on the budgets of the constituent councils. As I have highlighted before, if increases of this level are to be avoided ELWA should continue to work with Shanks.east London to find further ways to reduce costs.
- 8.10 Any changes in the estimates provided in the recent three-year plan will be reflected in the next three-year financial strategy and budget projection review due in November 2012.
- 8.11 The previous Government's capping regime did not apply to Waste Disposal Authorities like ELWA. The new Coalition Government has made public sector financial constraint a key feature of its policies. This reinforces the need for ELWA to seek ways to reduce future levy increases.

Apportionment of the 2012/13 levy and monitoring arrangements

- 8.12 The basis of the apportionment of the levy is explained in paras 5.6 to 5.8 of the report. The detailed apportionment is given in the table below:-

Actual Levy 2011/12		Tonnages	Apportion Tonnages	Band D Basis	Apportion Band D	Proposed Levy 2012/13	Increase in 12/13
£'000			£'000		£'000	£'000	%
8,147	Barking & Dagenham	68,390	6,683	53,087	1,824	8,507	+4.4
10,894	Havering	80,385	7,859	90,138	3,097	10,956	+0.6
13,998	Newham	108,907	10,647	77,030	2,646	13,293	-5.0
11,710	Redbridge	90,643	8,860	91,170	3,133	11,993	+2.4
44,749	Total	348,325	34,049	311,425	10,700	44,749	

- 8.13 Changes in the relative tonnages between boroughs and between household and non-household waste tonnage may reflect not only volume changes but also the re-classification of waste.
- 8.14 In the past ELWA has agreed that each year's levy should be sought in four equal instalments payable in the middle of each quarter i.e. 15 May, 15 August, 15 November and 15 February or the nearest banking day thereto. It is recommended that the Levy be paid in the same way in 2012/13.
- 8.15 It is recommended that commercial and industrial waste charges and other expenditure and income continue to be sought in accordance with the existing arrangements i.e. based on quarterly claims and invoices. Current arrangements have generally worked well and it is recommended that these be continued, subject to further review as necessary.

9. The Localism Act 2011

- 9.1 The Localism Act 2011 gives local communities the power to decide about Council Tax rises. Where such rises are deemed to be excessive, Authorities will be required to hold a referendum to get approval or a veto from local voters. Currently the rules apply to Local Authorities and Precepting Authorities.
- 9.2 ELWA is a levying Authority and therefore currently not subject to these rules on referenda. Nevertheless the Authority is indirectly funded via the Council Tax and therefore in setting the levy in 2012/13 to 2014/15 it needs to take account of the potential impact on the Council Tax of Constituent Authorities.

10. Risks

- 10.1 In line with all public sector organisations, ELWA faces difficult financial challenges over the next few years. Consequently, it is vital that ELWA is aware of the risks it faces and has arrangements in place to mitigate these.
- 10.2 The risks that ELWA faces include ensuring that contractual performance targets are met to minimize the costs of landfill, Government funding cuts, avoiding major failure in technology, new legislation and ensuring that existing regulations continue to be complied with.
- 10.3 Controls have been put in place to mitigate against identified risks and the success of these controls will need to be regularly monitored within ELWA's risk management arrangements. This level of reserves has been based on the assumption that these risks will be mitigated in line with ELWA's agreed risk management framework. The level of reserves held will need to be kept under review.

11. Robustness of estimates and adequacy of reserves

- 11.1 The Local Government Act (LGA) 2003 places duties on local authorities to reinforce good financial practice. In respect of the setting of ELWA's annual estimates and levy, I am required to provide professional advice on the robustness of the estimates and the adequacy of reserves. The Secretary of State has back up powers to impose a minimum level of reserves on any Authority that fails to make adequate provision.
- 11.2 The framework for the preparation of estimates is ELWA's three-year financial strategy. Monthly budget statements are prepared throughout the year for monitoring and control purposes. These anticipate cost pressures and take a prudent view on income estimates. The advice of the External Auditor and the experience of professional and technical officers of other Waste Disposal Authorities are also taken into account.
- 11.3 The major component of the estimates is the IWMS contract cost which is formally agreed between ELWA and Shanks, East London via the ABSDP. ELWA's other costs are as advised by ELWA Officers and Constituent Councils who are responsible for and carry out certain functions on ELWA's behalf. These costs are based on the advice of Constituent Council's Technical Officers with appropriate support from their own Officers and in particular their views on waste levels.
- 11.4 The view of ELWA Directors is that the proposed estimates are robust and the proposed levels of reserves are adequate given the currently known risks facing ELWA. These provide a reasonable and sound basis for the operation of ELWA next year but in the medium term do need to be kept under review.
- 11.5 ELWA maintains tight financial control but being a single purpose Authority changes in service demand have a more profound impact than say a multi-function London Borough. The proposals for 2012/13 are prudent and reasonable but the level of potential levy increase for future years must raise significant concerns and Members and officers need to find ways of mitigating the level of increase.
- 11.6 At present ELWA officers maintain detailed systems for budgetary control and also for waste/contract monitoring. It is vital these systems are maintained to supply effective data for Members and senior managers. This will better enable in year variances to be identified and mitigated.
- 11.7 In my view, having consulted relevant colleagues and following an analysis of the strategic, operational and financial risks and uncertainties facing ELWA, which are set out

in this report, these risks and uncertainties are adequately addressed in the setting of the 2012/13 budget and levy and the proposed level of reserves, subject to the various remarks about mitigation in this report. A continued prudent level of reserves is again recommended to ensure levy stability in future years because of the uncertainties faced by the Authority. The levels proposed for future years will need to be kept under review in the light of any new developments which may impact on the Authority.

11.8 The details and balances of ELWA's proposed reserves are contained in this report. Subject to all the above, the levels of these reserves are deemed appropriate based on information supplied to me, my professional judgement and ELWA's previous experiences and future plans.

11.9 In my opinion, if ELWA follows the advice contained in this report then the relevant requirements of the Local Government Act 2003 are met.

12. Relevant Officer

Geoff Pearce, Finance Director / e-mail finance@eastlondonwaste.gov.uk / 020 8708 3588

13. Appendix Attached

Appendix A Summary of original and revised Revenue Budgets for 2011/12 and Forward Budget for 2012/13.

Appendix B Financial Risk Analysis 2012/13.

14. Background Papers

Returns from Constituent Councils

Budget working papers

Report to the ELWA Authority Meeting November 2011

Financial Projection and Budget Strategy 2012/13 to 2014/15 Draft minute

15. Legal Consideration

ELWA needs to inform Constituent Councils of their 2012/13 levy by the 15th February 2012.

16. Financial Consideration

As detailed in the Report.

17. Performance Management Consideration

As detailed in the Report.

18. Risk Management Considerations

As detailed in paragraphs 9 to 11 of the Report.

19. Follow-up Reports

Financial Projections and Budget Strategy 2013/14 to 2015/16.

20. Websites and e-mail links for further information.

None.

21. Glossary

ABSDP – Annual Budget and Service Delivery Plan

ELWA – East London Waste Authority

IWMS – Integrated Waste Management Strategy

PFI – Private Finance Initiative

22. Approved by Management Board

23rd January 2012

23. Confidentiality

None