PAPER NO. WRWA 25-12

WESTERN RIVERSIDE WASTE AUTHORITY

MEETING	12th June 2025
REPORT AUTHOR/ DATE	Treasurer Sukvinder Kalsi (0208 875 2788) 29th May 2025
SUBJECT	Report of the Treasurer on the Authority's Outturn for 2024/25
CONTENTS	Page 1 Executive Summary, Background, Outturn & Outlook Page 3 Reserves Policy Page 5 Recommendations Page 6-8 Outturn Statements
STATUS	Open - circulation of this paper is not restricted.
BACKGROUND PAPERS	No background papers were used in the production of this report

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EXECUTIVE SUMMARY AND BACKGROUND

1. The outturn position, showing the Authority's actual income and expenditure when compared to the revised budget for 2024/25 is presented for information to this Authority meeting.

2. The date for completion of the draft set of 2024/25 accounts is 30th June 2025. This deadline is a revised deadline by government to address the local audit backlog in nationally and is in place for financial years 2024/25 to 2027/28. Any revisions to the outturn position on completion of the financial statements will be reported as necessary to the next authority meeting.

3. The audit of the 2024/25 accounts is planned to begin in July 2025 and expected to be completed by November 2025 to allow the publication of the financial statements before the 27 February 2026.

OUTTURN 2024/25

4. The budget for 2024/25 was approved on the following key principles:

    - Charge for General Waste of £168 per tonne (or 5% increase)
    - Charge for Recycling of £32 per tonne (or a freeze)
    - Use of Reserves to Subsidise Rates of £5.5m (plus £1m refund to Boroughs from 2023/24)
    - Levy Charges of £4.3m (or 3% increase)

5. The provisional outturn position (prior to completion of the external audit) is set out in the report (table on page 6). The overall net outturn resulted in the use of only £3m of reserves to subsidise the chargeable rates (compared to the estimated £5.5m that was planned when the budget for 2024/25 was set in February 2024). Our overall balances/reserves are £34.2m (detailed on page 4).

6. The most significant reason for the favourable position is in relation to the energy share income that is concluded after April each year. This energy reconciliation incorporates the impact of the generation of power on the 'Triad' days plus other end of year power adjustments which are awarded if RRRL meet the specific energy supply targets set by the National Grid. As this is uncertain, this is never assumed at budget setting time and this contributed £1.8m of additional income. The other major factor relates to additional interest earned on balances invested due to the Bank Rate remaining higher for longer during 2024/25 and balances remaining stable throughout the year, resulting in an additional £1.2m on interest income.

7. All reserve levels will be continually reviewed, including the option to redistribute any further amounts back to the Constituent Boroughs. These matters will be the included the budget reports that will be presented later in the year.

OUTLOOK FOR 2025/26 AND FUTURE YEARS

8. As previously mentioned to the Authority, there is the potential that the Authority will incur capital costs either in the purchase of new land and construction of new facilities or upgrading existing facilities in preparation for the procurement of services post 2032 and/or as a result of legislative changes in the Environment Act 2021. In the absence of any government funding, the costs of these would fall on the Levy and be borne by the constituent boroughs. To try to mitigate future costs the Authority has created a capital reserve which currently hold £10m which will be used to reduce future Levy costs.

9. When setting the rates in February 2025 for 2025/26 (Paper No. WRWA 25-03) both the General Waste rate and Co-mingled rates were set at a lower rate than the contractual cost to the Authority (freezing of borough charges from 2024/25). This would have required the expected use of the Stabilisation Reserve as follows for the year:

	Per tonne			Total
2025/26 predicted subsidy	Predicted Contract Cost	Borough Charge	Subsidy	subsidy needed
General Waste rate	£191.20	£174.00	£17.20	£4.558m
Co-mingled	£62.67	£32.00	£30.67	£1.940m
Total				**£6.498m**

10. As outlined in the above referenced report the authority has been awarded a minimum of £6.5m of Extended Producer Responsibility Grant (EPR) from Government and intends to use this grant income to replace reserve usage in 2025/26. Further consideration of smoothing is still a consideration as future years grant payments cannot be guaranteed nor use of reserves feasible in the long term. The below table shows and estimate for future years assuming the freeze ended in 2025/26 based on latest estimates:

	Estimated contract rate	**Borough Charge**	**Subsidy**	**Reserve use**
	£	**£**	**£**	**£000**
2025/26	62.67	32.00	30.67	1,940
2026/27	65.17	55.17	10.00	640
2027/28	67.13	57.13	10.00	640
	Total Reserve use			**3,220**

11. As Members are aware, the electricity generated at the Belvedere EfW plant forms part of the General Waste rate charged by Cory within the contract. This is the most volatile part of the pricing and is market price driven. The Authority receives income from the electricity generated if the market price exceeds the 'threshold' (uplifted under the terms of the contract, currently £86.92 per MWh in 2025/26). However, below this threshold the Authority incurs a charge (up to a floor currently £57.85 per MWh in 2025/26). The budget assumed energy being sold at £85 per MWh, generating an average income of £1.23 per tonne of general waste. The Authority receives a monthly update on sales trends and with the current mix of advance trading from Cory the estimate set in the budget appears to still be reasonable at this early stage in the year.

12. As outlined most recently in Paper No's WRWA 25-03 and WRWA 25-06, the greenhouse gas emission trading scheme (ETS) is due to extend to new sectors including Energy from Waste from 2028. The UK ETS only applies to carbon from fossilised and not biogenic sources. Using the current estimate of fossilised sources, this could cost the Authority somewhere between £8.5 and £21 million per year. The detailed financial implications and impacts for the Authority and the Constituent Councils are being evaluated and will be reported in future reports.

RESERVES POLICY

13. The Authority has a number of reserves set aside for either specific or general purposes and their purpose and current balance as at 31st March 2025 is outlined in the table on page 4. The predicted total level of reserves at the end of 2024/25 when setting the budget in February 2025 was £31.699m. The more favourable financial performance in 2024/25 (as explained in para 5) resulted in the total usable reserve balances increasing by £2.484m to £34.183m. Any revisions to the outturn position and therefore reserves position on completion of the financial statements will be reported as necessary to future Board meetings.

14. In 2024 it was agreed to distribute £1m of the reserves during 2024/25 to the constituent boroughs. This was completed in August 2024 on the basis of AWDC tonnage costs in 2023/24.

    The table below sets out the refunds made, for which a corresponding deduction from reserves has occurred at 31st March 2025.

	Distribution £'000
Hammersmith & Fulham	192
Kensington & Chelsea	203
Lambeth	319
Wandsworth	286
Total	**1,000**

Reserve Balance £m	1st April 2024	Movement	Actual 31st March 2025	Purpose
General Fund Reserve	4.479	-	4.479	This reserve covers all potential risks outlined in Appendix E to Paper No. 25-03 with an additional surplus buffer of approximately 30% (£1.079m).
Capital Reserve	10.000	-	10.000	For use for future capital costs as agreed in Paper No. WRWA 22-03.
Stabilisation Reserve	19.619	-2.965	16.654	This reserve can be drawn upon to ensure the stabilisation of charges for the boroughs, enabling greater flexibility in how to meet future spending pressures.
Loan Repayment Reserve	1.000	-	1.000	This reserve will be used to fund the repayment of the outstanding PWLB loan in September 2025, which means that no annual Minimum Revenue Provision (MRP) needs to be charged annually.
Recycling Reserve	0.250	-	0.250	Whilst recycling initiatives to date have been able to be funded from within existing approved budgets, it was agreed in Paper No. 20-02 that a contribution of up to £25,000 will be made from the Recycling Reserve annually if required without the need for further approval. This reserve has not been drawn upon in 2024/25.
Pension Liability Reserve	1.800	-	1.800	The Actuary for the Pension fund (administered by the LPFA) has reported on the triennial valuation that as at 31st March 2022, the Authority's element of the LPFA fund was over 128% funded. This valuation, although it is a forward look, is still only valid as at that point in time and the fund will be subject to market pressures which could mean that the funding level drops due to investments not performing as well as could be expected – for example, high levels of inflation have resulted in a decrease in the fund surplus of £240m since the previous valuation. In light of this it is proposed to retain the Pension Liability Reserve at this time. The actuary undertakes a revaluation every three years and the level of this reserve will be reviewed alongside that information
Total Usable Reserves	**37.148**	**-2.965**	**34.183**	

RECOMMENDATIONS

The Authority is recommended to:

a) note the outturn position for 2024/25 (paragraphs 4 to 6 and detailed in the Table below).

b) note the reserves position at 31 March 2025 as set out in paragraph 13.

c) note the continued principle of the redemption of debt from reserves as far as practicable.

Western Riverside Waste Authority
Smugglers Way , Wandsworth
LONDON SW18

SUKVINDER KALSI
Treasurer

29th May 2025

Summary of Revenue Outturn 2024/25

	Budget £000	Outturn £000	Variance £000
Direct Tonnage costs (AWDC)			
Operating Expenditure			
General Waste	50,451	48,719	-1,732
Co-mingled Recyclate	3,669	3,986	317
Other	693	628	-65
Triad Income 24/25 (and residual income 23/24)	0	-1,843	-1,843
Distribution to constituent boroughs	0	1,000	1,000
	54,813	52,490	-2,323
Direct Tonnage Income (AWDC)			
TOTAL PER BOROUGH			
Hammersmith & Fulham	-9,565	-9,181	384
Kensington & Chelsea	-9,898	-9,997	-99
Lambeth	-15,784	-15,495	289
Wandsworth	-14,117	-13,614	503
	-49,364	-48,287	1,077
AWDC (surplus)/ deficit	**5,449**	**4,203**	**-1,246**
LEVY cost			
Employees	728	708	-20
Business Rates	1,031	1,027	-4
Administration & General -Legal/ Consultancy costs	900	840	-60
Administration & General - Other direct costs	214	269	55
WBC Financial support	73	106	33
LBC Admin support	31	31	0
External Audit	55	102	47
HWRC site - Tonnage and running costs	2,591	2,436	-155
Capital Financing	18	37	19
Total Cost	5,641	5,556	-85
Miscellaneous Income*	-786	-1,956	-1,170
REP land payment	-116	-116	0
Deferred income	-425	-425	0
Grant income	0	-8	-8
Transfer from Reserves	-25	0	25
Levy Income	-4,289	-4,289	0
Total Income	-5,641	-6,794	-1,153
Levy (surplus)/ deficit	**0**	**-1,238**	**-1,238**
Total Subsidy (Reserves Usage)	**5,449**	**2,965**	**-2,484**

	Budget £000	Outturn £000	Variance £000
*Breakdown of Miscellaneous Income			
CCLA, Wandsworth Holding Investment and Other Interest	-300	-1,413	-1,113
Westminster	-277	-277	0
Feathers Wharf (rental income)	-159	-159	0
Vale Street	-50	-18	32
Other	0	-89	-89
	-786	-1,956	-1,170

Notes of Main Variances

Direct Tonnage Costs (-£403,000)

Removing 24/25 Triad Income and the distribution to constituent broughs, direct tonnage costs (AWDC) had a small variance to budget which when set in February 2024 contained a £500,000 buffer for adverse movements.

Triad Income (-£1.843m)

The Authority is expecting to receive £1.812m of 'Triad' and other end of year power adjustments which are awarded if RRRL meet the specific energy supply targets set by the National Grid for 2024/25. As this is uncertain, this is never assumed at budget setting time. The balance of £31,000 is the residual income against estimate for 2023/24.

Distribution to constituent boroughs (£1.000m)

As paid in August 2024 to distribute prior years surplus back to boroughs.

HWRC site Tonnage and running costs (-£155,000)

The General Waste tonnage levels at the HWRC site were very similar to that expected when setting the budget as were other levels of waste and the underspend was attributed to lower general office running costs than allowed for in the budget. A buffer was also included here at budget setting.

Income (-£1,170,000)

The Authority forecast to receive additional income on investments in year, however original budgets were set prudently to allow for adverse market conditions that could occur. The rate of return on general balances held by Wandsworth on the Authority's behalf was £5.04% on average balances of £24.2m.

Deferred Income Recognition (£nil)

As outlined in previous papers, during 2018/19, the Authority received £3.5m from Cory after extensive negotiations around their refinancing which is to be recognised as £250,000 per year over the life of the contract. The finalisation of the Riverside Energy Park agreement generated a further £1.75m payment from Cory, which is recognised in the same way over the remaining life of the contract at £175,000 per year. This has already been incorporated within future year budgets.