

**Budget Monitoring Report Period 4 (July)****SUMMARY**

This report provides an update on financial and operational matters

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the current financial position and forecast for 2019/20
- 2) Note the KPIs
- 3) Note the financial decisions taken under the Scheme of Delegation to Officers
- 4) Note the update on exercise to validate HRRC wasteflows

**1. Financial position – high level summary**

A summary of the financial performance for the period and forecast to the end of the year is provided below:

High level summary

	P4 Budget £ 000s	P4 Actual £ 000s	P4 Variance £ 000s	Year Budget £ 000s	Year Forecast £ 000s	Year Variance £ 000s
<b>Expenditure</b>						
Employees	677	612	-65	2,031	1,977	-54
Premises	895	868	-27	2,686	2,621	-66
Waste Transport & Disposal	15,399	15,632	233	46,198	45,585	-613
Other supplies	331	200	-131	992	958	-34
Depreciation	2,828	2,842	14	8,485	8,527	42
Financing and Other	2,182	2,172	-10	6,546	6,515	-31
Concession Adjustment	-1,405	-1,405	0	-4,215	-4,215	0
	<b>20,908</b>	<b>20,921</b>	<b>13</b>	<b>62,723</b>	<b>61,968</b>	<b>-755</b>
<b>Income</b>						
Levies	-20,270	-20,624	-354	-60,810	-60,730	80
Trade and other	-638	-853	-215	-1,913	-2,010	-97
	<b>-20,908</b>	<b>-21,477</b>	<b>-570</b>	<b>-62,723</b>	<b>-62,740</b>	<b>-17</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>-556</b>	<b>-556</b>	<b>0</b>	<b>-772</b>	<b>-772</b>
Disimbursement back to Boroughs		1,900	1,900		1,900	1,900
<b>Net position after disbursement</b>	<b>0</b>	<b>1,344</b>	<b>1,344</b>	<b>0</b>	<b>1,128</b>	<b>1,128</b>

The summary shows how financial performance compares to the budget for both the period in question and the forecast for the year. The overall performance for the period is close to budget and the forecast surplus for the year shows a favourable variance (i.e. underspend) of £0.7 million.

The forecast surplus includes unanticipated income from the PPP arrangement of £0.5 million as previously reported, reducing the waste transport and disposal costs. There are also a number of smaller but notable variances. This includes updated depreciation reflecting the valuations for the 2018/19 accounts, a share of the increased cost in SERC insurance premiums (under the PPP arrangement the Authority has to pay a share of the increase in premiums if the increase exceeds 30%) and a mixture of wasteflow volume variations (e.g. lower than budgeted volume of mattresses).

There are no concerning trends. However, it is important to note that waste volumes can change significantly from month to month so waste flows will be continually monitored over the course of the year and the forecast will be updated and reported accordingly.

The disbursement to boroughs of £1.9 million as detailed in earlier Authority meetings was paid in July as planned and this results in a final forecast net position of a £1.1 million deficit.

The standard breakdown can be found in Appendix 1. This separates out the main types of waste streams and distinguishes between PAYT and FCL activities and provides commentary on the variances.

## **2. KPIs for 2019/20**

The KPI table (Appendix 2) illustrates the performance across a wide range of key activities. Most indicators are on target with just one significant item to note:

- KPI5 trade debt as proportion of levy income – the performance is significantly skewed by the debt of one debtor. This debt is being chased through legal processes with solicitors advice. It is expected that the debt will be recovered as the case is strong and the debtor is a large national company, therefore the forecast is green.

It should also be noted that a new safety KPI has been added to the suite of KPIs. The new indicator KPI18 is the lost time injury rate which is a safety KPI and commonly used across the sector.

## **3. Delegated decisions**

To provide further transparency of operational arrangements, this standard section of the budget monitoring report summarises any significant financial decisions made by the Managing Director and/or Chief Officers under the Scheme of Delegations since those reported to the last Authority meeting.

Further to June's Authority report detailing the proposal and delegating authority to the Managing Director in consultation with Chair and Treasurer, a new gully waste PAYT rate has been introduced for boroughs for 2019/20. This will give boroughs the opportunity to take advantage of the Authority's very competitive procurement and price for the treatment of gully waste and will separate out charging for this material in line with other waste streams e.g. green, wood etc.

## **4. HRRC Wasteflows**

At the December 2018 meeting, Officers reported that a validation exercise would take place in 2019 to ensure boroughs are charged fairly for HRRC waste through the FCL. This is because over time local HRRC operational practices can change (e.g. through staff turnover) which could unknowingly effect charging. In particular, it is important that any PAYT waste which flows through HRRCs is identified and charged through the PAYT

The work identified that on the whole borough HRRC wasteflows were accurately charged with the notable exception of one HRRC. In this case the site operates in a way where some PAYT waste relating to commercial vehicles (vans) appears to be misclassified as household waste and therefore the borough does not incur a PAYT charge and importantly the borough also potentially loses revenue. Officers have been in discussion with borough colleagues who are resolving the situation.

The work also identified a few minor operational improvements in relation to weekend weighbridge operations at two HRRC sites and these have been passed on to the relevant boroughs.

**5. Financial Implications** – These are detailed in the report.

**6. Impact on Joint Waste Management Strategy** – Improvements to financial management in the Authority will continue to ensure that the Authority addresses policies of the JWMS.

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## Appendix 1

Pay As You Throw	Period 4				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	12,241	12,288	47	Tonnage slightly higher at the first half of the year	36,724	36,527	-197	Potential savings within budgeted waste volumes
Waste - Food	106	100	-5		318	301	-17	
Waste - Mixed Organic	269	343	74	Effect of green waste seasonality	807	807	0	
Waste - Green	273	359	86	Effect of seasonality	818	816	-2	
Waste - Other	147	210	62	Unbudgeted recyclables and transport	442	629	187	Unbudgeted recyclables and transport
Financing	1,398	1,440	43		4,193	4,321	128	
Depreciation - SERC	2,269	2,194	-74	Impact of valuation	6,806	6,583	-223	Impact of valuation
Premises - SERC	430	430	0		1,289	1,289	0	
Concession Accounting Adjustment	-1,208	-1,208	0		-3,623	-3,623	0	
PAYT Levy income	-15,925	-16,279	-354	Higher tonnage during first half of the year	-47,774	-47,694	80	
<b>PAYT Net Expenditure</b>	<b>0</b>	<b>-121</b>	<b>-121</b>		<b>0</b>	<b>-43</b>	<b>-44</b>	

Fixed Cost Levy	Period 4				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	677	612	-65	Effect of unfilled vacancies	2,031	1,977	-54	Effect of vacancies
Premises	466	438	-27		1,397	1,331	-66	
Waste - Residual	1,481	1,699	218	Higher than estimated tonnage	4,444	4,476	32	
Waste - Green	150	160	10		451	397	-54	
Waste - Wood	219	311	92	Higher than estimated tonnage	657	932	275	Forecasted high tonnage
Waste - Other	512	161	-351	Lower than estimated tonnage and rates (rubble, mattresses)	1,537	700	-837	Lower than estimated tonnage and rates (rubble, mattresses)
Other Supplies	331	200	-131	Uneven spending pattern during the year	992	958	-34	
Depreciation	560	648	89	Impact of valuation	1,679	1,945	266	Impact of valuation
Financing	497	432	-65	Lower borrowing cost than budgeted	1,491	1,295	-196	Lower borrowing cost than budgeted
Revenue Funding of Debt	287	300	13		862	900	38	
Concession Accounting Adjustment	-197	-197	0		-592	-592	0	
Trade Waste and Other Income	-638	-853	-215	High trade waste income	-1,913	-2,010	-97	
FCL Levy income	-4,345	-2,445	1,900	Disbursement to Boroughs	-13,036	-11,136	1,900	Disbursement to Boroughs
<b>Fixed Cost Levy Net Expenditure</b>	<b>0</b>	<b>1,465</b>	<b>1,465</b>		<b>0</b>	<b>1,171</b>	<b>1,171</b>	

## Appendix 2

KPI No	Measure	2019/20 Target	Forecast	Apr	May	Jun	Jul	Comments
<b>Efficiency</b>								
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 518,206 to 572,754 tonnes	562,035	45,467	47,030	46,642	48,206	
KPI2	Total kgs WCA waste per dwelling	847	882	856	871	873	882	
KPI3	HRRRC reuse, recycling, composted % (Twyford)	40%	40%	40%	41%	41%	37%	
KPI4	Borough HRRRC Average reuse, recycling, composted %	40%	32%	30%	34%	31%	31%	
KPI5	Trade debt as proportion of non levy income	Max of 8% (1 month)	3.1%	12.0%	11.9%	10.5%	8.2%	7.6% (£145,318) relates to a single debt in legal stages of recovery which we expect to recover
KPI6	Average days to pay creditors	Max of 30 days	30	29	29	30	30	
KPI7	Number of audit actions or recommendations overdue	0	0	0	0	0	0	
<b>Service Delivery</b>								
KPI8	Residual waste landfill diversion rate	96%	100%	100.00%	100.00%	100.00%	99.59%	Figures are for year to date
KPI9	Recycling rate for residual waste	2.00%	4%	2.84%	2.73%	6.25%	5.59%	Figures are for year to date
<b>Safety</b>								
KPI18	Lost Time injury frequency rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	Following the H&S recommendation to review KPI's for H&S reporting this is being added to the reported KPI's. It's an indicator that is widely used and recommended in the waste sector and used by the HSE to compare performance between industries.
KPI10	RIDDOR rate at rail transfer stations (previously incidents)	0	0	0	0	0	1	This has been reported as an incident rather than a rate as we do not have the information available at time of publishing to provide the rate.
KPI11	RIDDOR rate at Twyford (previously incidents)	0	0	0	0	0	0	
<b>Environment</b>								
KPI12	EA reported incidents at rail transfer stations	0	0	0	0	0	0	
KPI13	EA reported incidents at Twyford	0	0	0	0	0	0	
<b>Education</b>								
KPI14	Number of people engaged at events	3,000	4,836	24	358	679	351	
KPI15	Engagement on social media	8,000	9,597	595	1,239	842	523	
KPI16	Items identified in annual training plan	68	69	11	0	6	6	
KPI17	Number of visitors to our website	40,000	77,868	6,883	6,677	6,433	5,963	

\* KPIs reflect the most recent data available at the time of writing

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