

Finance Update October 2021**SUMMARY**

This report provides an update on financial and corporate

RECOMMENDATION(S)

The Authority is asked to: -

- 1) Note the current financial position and forecast for 2021/22
- 2) Note the 2021/22 KPI performance

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

	P07 Budget £ 000s	P07 Actual £ 000s	P07 Variance £ 000s	Full Year Budget £ 000s	Full Year Forecast £ 000s	Full Year Variance £ 000s
Expenditure						
Employees	1,314	1,312	(2)	2,252	2,346	94
Premises	1,528	1,587	58	2,620	2,666	46
Waste Transfer and Disposal	29,379	27,324	(2,055)	50,363	46,789	(3,574)
MRF Waste Transfer and Disposal	1,440	1,174	(266)	2,469	2,012	(457)
Supplies and Services	565	405	(160)	968	1,038	70
Depreciation	5,390	5,390	(0)	9,240	9,240	(0)
Financing and Other	3,600	3,600	0	6,171	6,171	0
Concession Adjustment	(2,556)	(2,556)	0	(4,382)	(4,382)	0
	40,659	38,234	(2,425)	69,702	65,881	(3,821)
Income						
Levies	(37,986)	(36,389)	1,597	(65,120)	(62,381)	2,738
MRF Service Charge	(1,440)	(1,174)	266	(2,469)	(2,012)	457
Trade and Other	(1,233)	(1,672)	(440)	(2,113)	(2,512)	(399)
	(40,659)	(39,235)	1,424	(69,702)	(66,905)	2,797
(Surplus) / Deficit	0	(1,001)	(1,001)	0	(1,024)	(1,024)

The summary shows how financial performance compares to the budget for both the period and the forecast for the year.

The overall performance for period 7 (Oct21) shows a favourable variance (i.e. underspend) of £1.00 million compared to budget. The forecast surplus of £1.02 million continues to be principally reflected by unanticipated lower Waste Transport and Disposal (WTD) costs.

We continue to review the impact of the Covid-19 pandemic against performance, in particular its impact on waste flows (principally residual waste which accounts for the majority of spend) and therefore the large variances for Waste Transport and Disposal (WTD) costs and Levies. Other spending budgets remain broadly on target.

The budget also includes as it did for financial year 2020/21, the financial effects of the new dry mixed recycling (DMR) contract for Ealing. This is cost neutral for the Authority but creates further variations in the WTD costs and Trade/Other Income.

The main variances are detailed in the standard breakdown in Appendix 1 which separates out the main types of waste streams and distinguishes between PAYT and FCL activities and summarises the following.

Residual waste tonnage continues to be the main component of PAYT waste and explains a large portion of the variance against budget. The current level of tonnages for residual waste continues to be lower than budgeted (as at the end of October, residual waste collected is 4% lower than the budget). This is because the 2021/22 budget was set using borough tonnage forecasts in the midst of the pandemic at the height of waste volumes. It should be noted, that the uncertainty of forecasting was identified at budget setting and the Authority report included sensitivity analysis to help illustrate the financial impacts of higher/lower residual waste volumes.

In terms of PAYT activities, the decreased volume of household collected waste and associated costs will be mirrored by a reduction in the amount boroughs will have to pay via the PAYT levy. Through the usual quarterly reconciliation process boroughs will only pay for the waste that is disposed and will therefore see quarterly refunds of any overpaid levies. The forecast for the full financial year PAYT levy totals £49.9m against a budget of £52.6m. This reflects the refunds in levies predicted due to lower tonnages collected.

Food waste costs are £12k (13%) lower than budgeted to the end of October, due to lower tonnages collected against budget (3,000 less tonnes). However, whilst tonnages may be less than budgeted, year on year collections have increased. As 2020-21 was impacted heavily by Covid-19 and patterns of waste collections were skewed, if we look at April to October of financial year 2019-20 against the same months for this financial year, there has been a 7% increase in food waste collected. We will continue to monitor food waste collection with each borough and ensure that the £500k investment provided can see food waste tonnages increase and removed from residual waste.

Year to date, green waste has seen 6,000 tonnes increase against budget, but we need to consider seasonality, and do expect a decrease over the winter months.

In terms of FCL waste, there has been lower than budgeted volumes in turn leading to decreased costs against budget. Year to date WTD costs were £640k lower than budget. The largest variance is against residual waste which makes up the main bulk of HRRC waste costs and this is £623k lower than budget (21%).

Trade waste is up by 36% against budget as at October 21, indicative of more waste from businesses resuming again after the Covid-19 pandemic.

In terms for forecasts, whilst the impact of the Covid-19 pandemic remains, we have used current levels of waste collected to forecast based on run rates. With 7 months of waste flows, we are able to see how the budgets were produced with prudence, and in fact we do envisage such high volumes, particularly residual waste.

Looking at residual waste collections (PAYT), we have looked at current levels of activity and reflected this in the remainder for the year. This has resulted in the forecast being £2.7m less than the budget.

For HRRCs (FCL), once again the main component is residual waste. The average of the last seven months has been used in forecasting. The resulting forecast shows a decrease against budget of £1.60m.

Waste flows will continue to be monitored throughout the year however the total of the above WTD forecasting results in an overall current WTD projected underspend of £3.57 million in the year.

2. KPIs for 2021/22

Appendix 2 summarises the targets for the year and the performance in the year to date.

All indicators continue to be on target (green) and the performance is reflected in the RAG rating. There is nothing to note for period 7 with all indicators at green indicating operations are on track.

3. Delegated decisions

To provide further transparency of operational arrangements, this standard section of the report summarises any significant financial decisions made since those reported to the last Authority meeting and not reported elsewhere in the agenda.

There were none.

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Appendix 1

Pay As You Throw	2021-22 YTD Period 07				2021-22 Full Year Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	24,300	22,701	(1,599)	Collected waste volume is 4% less than budgeted	41,657	38,916	(2,741)	Based on current run rate, lower tonnage of residual waste expected.
Waste - Food	203	190	(12)	Food waste tonnages collected are 3,000 tonnes less than budget YTD.	348	327	(21)	
Waste - Mixed Organic	25	83	57	Budgeted 857 tonnes of mixed organic for FY21/22, but 1,670 tonnes collected in April and May hence the overspend.	43	83	39	
Waste - Green	809	878	69	6,000 tonnes more collected than budget YTD but need to take in to account seasonality so may reduce over coming months.	1,387	1,505	118	
Waste - Other	255	324	69	Over 3,000 tonnes more than budgeted of rubble and gully collected	437	556	119	
Depreciation	4,154	4,154	0		7,122	7,122	0	
Financing	2,459	2,459	0		4,216	4,216	0	
Premises	752	752	0		1,289	1,289	0	
Concession Accounting Adjustment	(2,275)	(2,275)	0		(3,900)	(3,900)	0	
Levy Income	(30,683)	(29,085)	1,597	Accounted for refunds to be given back to boroughs as lower tonnages of waste collected through PAYT.	(52,599)	(49,860)	2,738	Based on refunds owed back to boroughs due to less waste tonnages.
PAYT Net Expenditure	0	182	182		0	253	253	
Fixed Cost Levy	2021-22 YTD Period 07				2021-22 Full Year Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	1,314	1,312	(2)		2,252	2,346	94	
Premises	776	835	58		1,331	1,377	46	
Waste - Residual	2,969	2,346	(623)	Lower tonnages collected than budgeted.	5,090	4,021	(1,069)	Based on current run rate, lower tonnage of residual waste expected.
Waste - Green	104	135	31	1,000 tonnes collected more than budgeted.	178	231	53	
Waste - Wood	389	464	75	864 tonnes collected more than budgeted.	667	796	129	
Waste - Other	325	203	(122)	3,000 tonnes less than budget collected for rubble, asbestos and hard plastics.	557	355	(202)	Based on current run rate, lower tonnage of waste expected.
Waste - MRF	1,440	1,174	(266)		2,469	2,012	(457)	
Supplies and Services	565	405	(160)		968	1,038	70	
Depreciation	1,235	1,235	(0)		2,118	2,118	(0)	
Financing	592	592	0		1,014	1,014	0	
Revenue Funding of Debt	549	549	0		941	941	0	
Concession Accounting Adjustment	(281)	(281)	0		(482)	(482)	0	
Trade Waste and Other Income	(1,233)	(1,672)	(440)		(2,113)	(2,512)	(399)	Usually trade waste is higher in first few months and then flattens out over the back end of the financial year.
MRF Income	(1,440)	(1,174)	266		(2,469)	(2,012)	457	
Levy Income	(7,304)	(7,304)	(0)		(12,521)	(12,521)	(0)	
Fixed Cost Levy Net Expenditure	0	(1,183)	(1,183)		0	(1,277)	(1,277)	
(Surplus) / Deficit	0	(1,001)	(1,001)		0	(1,024)	(1,024)	

Appendix 2

Key Performance Indicators 21/22								7
KPI		19/20 Actual	20/21 Actual	21/22 Target	Red Threshold	Description	Commentary about target	Cumulative Oct-21
Keep Waste Moving								
1	Diversion from Landfill %	97.9%	98.9%	96.1%	< 95% = Red	Percentage of residual waste collected in month sent to landfill (shows the tonnes of waste Suez have sent to landfill and the cumulative collected asbestos waste collected at Abbey Road).	contractual target 3.9% max to landfill	99.9%
2	Turnaround times (% above 25 minutes) for borough vehicles	3.4%	4.2%	4.5%	> 5% = Red	Average vehicle turnaround times - taking waste to Transport Avenue, Victoria Road and Abbey Road. Total waste loads (cumulative) and over 25 mins in the month.	close to performance during pandemic	0.9%
Increase Efficiency								
3	Overall £/tonne	88.29	88.12	88.87	> £93.31 (i.e. +5%) = Red	Looks at total tonnes collected cumulatively and the total spend of waste transfer and disposal.	reflects boroughs budgeted tonnages and 19/20 and 20/21 are indexed	£83.54
4	Overall £/person	26.05	28.89	30.83	> £32.40 (i.e. +5%) = Red	Total spend of waste transfer and disposal divided by total population of 6 boroughs (provided from ONS website).	reflects boroughs budgeted tonnages and 19/20 and 20/21 are indexed	£28.51
Divert From Waste								
5	All waste - monthly kg per person	25.73	27.76	28.91	> 30 kg = Red	Total cumulative waste collected divided by population (taken from ONS website).	reflects boroughs budgeted tonnages	28.44
6	Residual waste - monthly kg per person	20.32	20.28	21.63	> 22 kg = Red	Total cumulative residual waste collected divided by population (taken from ONS website).	reflects boroughs budgeted tonnages	21.02
Effective Control								
7	People development	82	105	350	< 315 = Red	Total number of learning and development activities carried out in financial year (amongst total employees).	more granular metric reflecting aspirational 10 I&d events per person. But 19/20 and 20/21 reflect days	283
8	Staff turnover	22%	13%	15%	> 20% = Red	Cumulative leavers YTD against total budgeted staff.	maintain level	5.0%
9	Sickness absence rate	1.6%	0.5%	2.0%	> 3% = Red	Cumulative sick days lost year to date.	more typical level	1.9%
10	Paying suppliers promptly (days to pay)	29	24	30	> 32 days = Red	Average number of days to pay suppliers in the month.	statutory level	23
11	Minimising trade debt (% of non levy income)	7%	4%	8%	> 10% = Red	Debt at end of period - excluding borough debt.	level reflects 1 month debt - only 1 instance of non recovery in last 6 years. Really just timing difference.	1.1%
12	RIDDOR incidents at Abbey Road	1	0	0	> 1 = Red		maintain level	0.00
13	Average monthly safety observations and closeout actions	10	5	10	> 15 = Red		maintain level	6
14	Number of audit actions or recommendations overdue	0	1	0	> 2 = Red		maintain level	0