

Budget Monitoring Report Period 10 (January)**SUMMARY**

This report provides an update on the financial position of the Authority, the key operational performance indicators (KPIs), next year's KPIs, delegated financial decisions and key changes to next year's timetable for the approval of accounts.

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the current financial position in 2016/17 to Period 10 and Key Performance Indicators for Period 10 and 2017/18
- 2) Note the financial decisions taken under the Scheme of Delegation to Officers
- 3) Note the shorter timescale for approving audited accounts and consequent changes to key meetings

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

	P10 Budget £ 000s	P10 Actual £ 000s	P10 Variance £ 000s	Year Budget £ 000s	Year Forecast £ 000s	Year Variance £ 000s
Expenditure						
Employees	1,318	1,298	-20	1,581	1,633	52
Premises	3,146	2,066	-1,080	3,890	3,227	-663
Waste Transport & Disposal	32,167	37,781	5,612	38,285	43,537	5,251
Contingency	1,667	1,667	0	2,000	2,000	0
Other supplies	610	592	-18	732	822	90
Depreciation	4,043	1,042	-3,001	5,327	2,275	-3,052
Financing and Other	4,489	1,966	-2,523	5,967	2,605	-3,362
	47,440	46,411	-1,030	57,782	56,099	-1,684
Income						
Levies	-46,749	-46,385	364	-56,099	-55,596	503
Trade and other	-1,403	-2,046	-644	-1,683	-2,400	-717
	-48,152	-48,431	-280	-57,782	-57,996	-214
(Surplus) / Deficit	-712	-2,021	-1,308	0	-1,896	-1,896

The table shows how financial performance compares to the budget for both the period in question and the forecast for the year. The budget has been profiled to reflect how expenditure will arise during the year.

As previously reported, the main factors influencing the variances from the budget over the course of the year are the dates for commissioning, the completion of the SERC and commencement of full service. These dates trigger asset costs, financing costs, pricing changes and the application of concession accounting.

The overall position for the period, from the table, is a favourable variance of £1.3 million. The forecast for the year shows a surplus of £1.9 million.

The variance for the period is a primarily result of reduced costs of financing, depreciation and rates (premises) totalling £6.7 million which are partly offset by higher waste transport & disposal costs (£5.2 million) due to the delay to the start of commissioning at the SERC. Appendix 1 provides a breakdown of income and expenditure which separates out the main types of waste streams and distinguishes between PAYT and FCL activities.

The forecast position of £1.9 million includes a slightly lower than budget forecast of residual waste tonnages resulting in a small rebate of PAYT levy (£0.5 million) to boroughs as part of the normal quarterly PAYT reconciliation process ensuring boroughs only pay for waste they dispose.

It should be noted that at the time of writing, the SERC and transfer stations are being revalued by professional valuers, Wilks Head & Eve, in accordance with accounting and RICS requirements. End of year accounting valuations will as usual be reported as part of the draft accounts to the June meeting of the Authority. As highlighted in reports to the January Authority meeting there is a possibility that the valuation will result in accounting adjustments changing the level of reserves.

2. Operational KPIs

The KPI table (Appendix 2) illustrates the performance in key activities and progress with internal audit recommendations.

The one notable adverse variance relates to sickness absence (KPI 12). This relates to 2 individuals with long terms sickness absences at Twyford. With only 32 employees, even a single long term sickness absence will result in this indicator failing. Both employees have now returned to work.

Also worth noting is KPI 16, the retweet rate which replaces the social media reach indicator that can no longer be measured. The retweet KPI provides an indicator of the level of engagement by measuring the number of tweeters who were interested enough in our messages to pass on to others.

3. KPIs for 2017/18

Appendix 3 provides the KPIs for 2017/18 and a brief explanation about the changes.

Many KPIs remain unchanged and a few have been replaced by better measures. There are 4 completely new ones and only 2 current KPIs have been removed altogether. These relate to:

- KPI8, the recycling rate for incinerator bottom ash (IBA) – this is not a key measure of performance of business as usual activities

- KPI12, sick days – this is only statistically meaningful in large organisations where one individual's absence doesn't skew the figures and the average remains reasonably stable and comparable to other organisations – informing view about performance

It should be noted that as this will be the first year of measure for a number of these KPIs and therefore we will become better at setting more meaningful targets in subsequent years, with history and experience.

4. 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 Director and/or Chief Officers under the Scheme of Delegations to Officers since those reported to the last Authority meeting.

There were none.

5. Approval of 2017/18 accounts

Looking further ahead, changes to accounting requirements (Accounts and Audit Regulations 2015) require that audited 2017/18 accounts have to be published by 31 July 2018, instead of 30 September 2018.

As we already present draft accounts to the June Authority meeting and very little changes when reporting the final audited accounts again at the September meeting, we can achieve the new tighter timescale by refining processes, re-arranging the timing / scope of external audit visits and changing the dates / agenda of key meetings.

From the perspective of key meetings this means that the:

- The March 2018 Authority meeting will consider and approve the Annual Governance Statement that will be included in the accounts
- The June 2018 Audit Committee will scrutinise the accounts and related papers and receive annual reports from our auditors (moving from the current September cycle)
- The June 2018 Authority meeting will look to approve the audited accounts

Throughout the year the budget monitoring reports will continue to forecast the out-turn position and highlight any key financial issues.

The above changes will be implemented next year to achieve the new regulatory timescales for the approval and publication of 2017/18 audited accounts.

6. Financial Implications – These are detailed in the report.

7. Legal Implications – There are no legal implications as a result of this report.

8. 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 10				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	18,871	21,481	2,610	Interim service cost higher than budgeted commissioning cost due to construction delay	22,798	24,948	2,150	Expected overspend due to project delay
Waste - Residual: EfW Bulked	5,713	5,910	197	Tonnage delivered exceeded period budget	6,856	6,810	-46	Favourable pricing variance
Waste - Residual: EfW Delivered	3,109	3,100	-10		3,731	3,731	0	
Waste - Food	560	583	23	3.5k tonnes more than budgeted	672	699	27	Expected larger tonnage than budgeted
Waste - Mixed Organic	795	821	26	3.8k tonnes more than budgeted	954	966	12	
Waste - Green	1,046	938	-108	Lower tonnage than budgeted	1,255	1,092	-163	Expected lower tonnage than forecasted
Waste - Other	171	193	23	Unbudgeted recycleables cost	206	232	26	Unbudgeted recycleables cost
Waste - Concession interest	-2,013	-538	1,475		-2,673	-1,186	1,487	SERC variances due to delayed full service
Waste - Concession liability	-1,665	-459	1,206		-2,231	-1,012	1,219	
Premises - SERC	905	238	-667		1,200	534	-666	
Depreciation - SERC	3,715	979	-2,736		4,933	2,197	-2,736	
Financing SERC - Interest	2,518	1,472	-1,046		3,344	1,472	-1,872	
Financing SERC - Concession interest	2,013	538	-1,475		2,673	1,186	-1,487	
Contingency	1,667	1,667	0	Contingency used to cover additional cost	2,000	2,000	0	Contingency expected to be used as required
PAYT Levy income	-38,098	-37,734	364	Expected rebate at P10	-45,718	-45,215	503	
PAYT Net Expenditure	-694	-812	-118		0	-1,545	-1,545	

Fixed Cost Levy	Period 10				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	1,318	1,298	-20		1,581	1,633	52	Restructure cost estimate - one off
Premises	2,242	1,828	-414		2,690	2,693	3	
Waste - Residual	2,968	3,631	664	Interim service cost higher than budgeted commissioning cost due to construction delay	3,583	4,716	1,133	Expected overspend due to project delay
Waste - Green	753	353	-400	7k tonnes lower than budgeted	904	414	-490	Expected lower tonnage than budgeted
Waste - Wood	923	1,072	149	Includes wood cost recovered in income line	1,108	1,293	185	Includes wood cost recovered in income line
Waste - Other	935	695	-240		1,122	834	-288	Extrapolated cost
Other Supplies	610	592	-18		732	822	90	Potential additional valuation and audit cost
Depreciation	328	63	-265	Lower depreciation after assets review and impairment at end of the year	394	78	-316	Lower depreciation after assets review and impairment at end of the year
Financing and Other	-42	-44	-2		-50	-53	-3	
Trade Waste and Other Income	-1,403	-2,046	-644	High trade waste income and wood shredding income	-1,683	-2,400	-717	Trade waste and unbudgeted wood shredding income (partially offset in wood processing cost line)
FCL Levy income	-8,651	-8,651	0		-10,381	-10,381	0	
Fixed Cost Levy Net Expenditure	-18	-1,208	-1,190		0	-351	-351	

Appendix 2

2016-17 KPIs

KPIs	Annual Target 2016-17	Forecast RAG	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	notes
Waste volumes															
KPI1*	Total waste handled by Authority (tonnes)	Max of 541,575 tonnes	519,868	42,025	46,088	49,262	45,770	44,646	44,550	39,941	42,618	38,988	39,336		
KPI2*	Total waste % difference from forecast	Max of + 5%	-4.0%	-6.9%	2.1%	9.2%	1.4%	-1.1%	-1.3%	-11.5%	-5.6%	-13.6%	-12.8%		
KPI3*	Total waste % difference from 2015/16 (same month)	Max of + 5%	-0.7%	-4.6%	1.4%	5.4%	-3.5%	9.6%	-4.8%	-7.5%	-0.1%	-3.8%	0.5%		
Contractor performance															
KPI4*	Landfill diversion rate	Min of 20% to full service then 95%	74.8%	38.4%	38.0%	35.4%	79.0%	76.8%	94.2%	97.7%	97.9%	93.9%	96.5%		
KPI5*	Waste reused, recycled or composted at Twyford	Min of 50%	69.9%	67.0%	70.0%	70.0%	71.0%	69.0%	68.0%	72.0%	72.0%	68.0%	72.0%		
KPI6	RIDDOR reported incidents at contractor delivery points	nil	0	0	0	0	0	0	0	0	2	0	0		
KPI7	Recycling rate for residual waste	Min of 1.5%	15.5%	7.6%	7.5%	7.5%	18.9%	15.1%	17.7%	18.2%	20.2%	20.5%	21.5%		
KPI8	Recycling rate for IBA/APCR	TBC	94.6%	99.8%	99.6%	100.0%	92.3%	92.5%	90.1%	89.4%	91.0%	91.1%	99.9%		KPI from full service in December
KPI9	Number of accidents involving Authority staff	nil	0	0	0	0	0	0	0	0	0	0	0		
Operational finance															
KPI10	Average days to pay creditors	Max of 30 days	12	10	10	10	12	12	12	13	13	14	16		
KPI11	Trade debt as a proportion of non levy income	Max of 8% (1 month)	2.8%	0.9%	1.0%	3.0%	7.3%	2.1%	2.2%	3.6%	2.7%	2.8%	2.2%		
Staffing															
KPI12	Average number of sick days per employee per year	Max of 8.0 days	16.1	10.0	20.0	19.0	19.0	19.0	18.0	16.0	15.0	14.0	14.0	13.0	Long term sickness of 2 staff at Twyford
Waste Minimisation															
KPI13	Number of visitors to our website	Min of 60,000 hits	67,942	5,998	7,055	5,294	5,819	5,722	5,164	5,541	4,943	4,738	6,344		
KPI14	Social media reach (twitter and facebook)	Min of 8 million OTS	N/A	477,172	553,586	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	changes by twitter so unable to measure from june. Replaced by KPI16.
KPI15	Number of people engaged at events	Min of 5,000 people	6,967	215	901	756	524	228	1,214	293	618	1,026	31		
KPI16	Retweet rate	Min of 60%	68%	57%	59%	65%	83%	82%	71%	67%	69%	53%	78%		Retweet rate added. Replaces KPI14.
Internal audit - progress with recommendations															
AUDIT1	Creditors	3 by end of December	3							1	2				Complete
AUDIT2	Risk	4 by end of February	3									3			1 to complete - for Sept Audit Committee
AUDIT3	Governance	6 by end of April													in progress
AUDIT4	Waste Minimisation	3 by end of September													in progress

* Data for some KPIs (e.g. waste tonnages from borough HRRCs) can take up to 2-4 weeks following a month end to arrive and were not available at the time of writing.

Appendix 3 – 2017/18 KPIs

KPI No	Measure	2016/17 Target	2016/17 Actual (latest)	2017/18 Target	Comments
Efficiency					
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 514496 to 568653 tonnes	519,868	+/- 5% i.e. 515,899 to 570,204 tonnes	
KPI2	Total kgs WCA waste per dwelling	New	New	867	replaces last years KPI2 and KPI3. Uses borough forecasts of tonnage and ctax dwellings
KPI3	HRRC reuse, recycling, composted % (Twyford)	New	New	TBC	replaces old KPI5. More robust measurement in line with boroughs by excluding wood
KPI4	Borough HRRC Average reuse, recycling, composted %	New	New	TBC	new target per JWMS (strategy)
KPI5	% of HRRC residual waste recycled	New	New	TBC	new target
KPI6	Trade debt as proportion of non levy income	Max of 8% (1 month)	2.8%	Max of 8% (1 month)	
KPI7	Average days to pay creditors	Max of 30 days	12	Max of 30 days	
KPI8	Number of audit actions or recommendations overdue	0	0	0	look at progress by exception, replaces individual Audit KPIs (AUDIT1 to AUDIT4)
Service Delivery					
KPI9	Residual waste landfill diversion rate	Min of 20% to full service then 95%	74.8%	96%	
KPI10	Recycling rate for residual waste	Min of 1.5%	New	2.00%	replaces old KPI7. More robust measurement in line with national approach by excluding IBA
Safety					
KPI11	RIDDOR reported incidents at rail transfer stations	0	0	0	
KPI12	RIDDOR reported incidents at Twyford	0	0	0	
Environment					
KPI13	EA reported incidents at rail transfer stations	New	New	0	new target re contract management
KPI14	EA reported incidents at Twyford	New	New	0	new target re site management
Education					
KPI15	Number of people engaged at events	Min of 5,000 people	6,967	Min of 6,000 people	
KPI16	Engagement on social media	New	New	TBC in year - comms post	New target replacing previous social media ones KPI14 and KPI16
KPI17	Number of Training days per WLWA employee	New	New	4	New target per professional requirements
KPI18	Number of visitors to our website	Min of 60,000 hits	67,942	Min of 60,000 hits	becoming harder to achieve