

**Budget Monitoring Report Period 10 (January)****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 2017/18
- 2) Note the current year performance and KPIs
- 3) Approve the KPIs for 2018/19
- 4) Note the financial decisions taken under the Scheme of Delegation to Officers

**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
<b>Expenditure</b>						
Employees	1,378	1,429	52	1,653	1,748	95
Premises	3,573	3,081	-492	4,287	3,824	-463
Waste Transport & Disposal	30,994	28,702	-2,293	37,193	34,281	-2,913
Other supplies	1,098	503	-595	1,318	700	-618
Depreciation	6,856	6,833	-23	8,227	8,192	-35
Financing and Other	7,527	7,333	-194	9,032	8,767	-265
	<u>51,425</u>	<u>47,880</u>	<u>-3,546</u>	<u>61,710</u>	<u>57,512</u>	<u>-4,199</u>
<b>Income</b>						
Levies	-49,900	-48,526	1,374	-59,880	-58,287	1,593
Trade and other	-1,525	-1,707	-182	-1,830	-1,982	-152
	<u>-51,425</u>	<u>-50,233</u>	<u>1,191</u>	<u>-61,710</u>	<u>-60,269</u>	<u>1,441</u>
<b>(Surplus) / Deficit</b>	<u>0</u>	<u>-2,353</u>	<u>-2,353</u>	<u>0</u>	<u>-2,757</u>	<u>-2,757</u>
Disbursement back to boroughs	0	1,800	1,800	0	1,800	1,800
<b>Net (Surplus) / Deficit</b>	<u>0</u>	<u>-553</u>	<u>-553</u>	<u>0</u>	<u>-957</u>	<u>-957</u>

The summary shows how financial performance compares to the budget for both the period in question and the forecast for the year which is based on activity / spending continuing at the current rate.

The two largest variances relate to the overall volume of waste, primarily residual waste. The forecast for the year is below budget resulting in an under-spend for the Waste Transport & Disposal budget of £2.3 million and lower levies of £1.4 million.

Other notable variances include:

- savings in premises costs primarily from rent reviews being agreed at lower than budgeted levels
- savings in cost of other supplies across a range of activities including reduced plant leasing, running and maintenance costs and lower consultancy costs
- Concession accounting (financing) and depreciation savings resulting from 2016/17 closing accounts valuations and agreed accounting treatment with EY.

The net surplus from operating activities is offset by the disbursement of excess reserves to leave a favourable position for the period and forecast for the year end, of £0.9 million.

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.

Setting aside any changes resulting from year end accounting valuations (including property and pensions) the summary essentially reflects the sort of position that we are forecasting to be presented in the annual statement of accounts assuming the trend of lower waste flows continues for the remainder of the year.

In terms of the annual statement of accounts, it is worth noting that new accounting requirements will mean the final audited statement of accounts will be reported earlier, to the June Authority meetings instead of September.

## **2. Operational KPIs**

The KPI table (Appendix 2) illustrates the performance in key activities.

The performance is largely consistent with the period 8 report and most KPIs are on track with a few minor exceptions:

- KPI3 and KPI4 reuse, recycling and composting waste. These were set with aspirational targets and have been reviewed for next year based on the current year experience.
- KPI16 engagement on social media has been updated for the next year incorporating input from our new Communications Officer.
- KPI17 the training days target is unlikely to be achieved this year due to staffing changes and prioritisation of project work.

## **3. KPIs for 2018/19**

The current suite of KPIs provides a good range of indicators for monitoring business wide performance. Therefore Appendix 3 provides the KPIs for 2018/19 and shows that the

measures remain largely unchanged with many of the targets either the same or better than in the current year.

The exceptions to this are KPI3 and KPI4 (HRRRC reuse, recycling and composting) where the targets are aligned to the Joint Waste Management Strategy of achieving 50% recycling and composting by 2020. This will be a step towards the longer term goals of higher rates. KPI5 (HRRRC recycling) has also been removed as it is already included in the above two KPIs.

#### 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 was one delegated decision to report and this relates to the food, organics and haulage contract which is reported elsewhere in today's agenda. In December the Authority delegated contract award decisions to the Managing Director and Chief Technical Officer in consultation with the Chair. Following a full tender exercise for the food waste, bids were evaluated and the contract was awarded to the highest scoring tenderer, Bio Collectors. Tenders for organics and transport services were received on 1 March and 28 February respectively. Delegated decisions will still be required at the end of March/start of April.

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

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

**7. 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	19,868	18,235	-1,632	lower than budgeted waste tonnage	23,841	22,266	-1,575	assuming lower tonnages continue 17-18
Waste - Residual: EFW Bulked	5,798	6,148	349	temporary fluctuation due to	6,958	7,032	74	
Waste - Residual: EFW Delivered	3,166	3,205	39	diversions	3,799	3,845	46	
Waste - Food	595	610	15		714	732	18	
Waste - Mixed Organic	783	840	56	larger tonnage than budgeted	940	933	-7	
Waste - Green	898	954	57		1,077	1,060	-17	
Waste - Other	212	278	66		254	338	84	
Waste - Concession interest	-2,871	-2,719	152		-3,445	-3,263	182	concession underspend per 2016/17 agreed/audited accounting treatment
Waste - Concession liability	-2,493	-2,886	-393		-2,991	-3,463	-472	
Financing SERC - Interest	2,871	2,719	-152		3,445	3,263	-182	
Financing SERC - Concession interest	3,692	3,679	-12		4,430	4,387	-43	
Premises - SERC	1,114	1,147	32		1,337	1,474	137	
Depreciation - SERC	5,834	5,646	-188	per 2016/17 year end property valuation	7,001	6,766	-235	per 2016/17 year end property valuation
PAYT Levy income	-39,467	-38,093	1,374	rebate resulting from lower waste tonnage	-47,360	-45,767	1,593	estimated final reconciliation
<b>PAYT Net Expenditure</b>	<b>0</b>	<b>-238</b>	<b>-238</b>		<b>0</b>	<b>-398</b>	<b>-398</b>	

Fixed Cost Levy	Period 10				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	1,378	1,429	52		1,653	1,748	95	
Premises	2,288	1,758	-530	negotiated lower rent uplift than initially requested	2,745	2,124	-621	negotiated lower rent uplift than initially requested
Waste - Residual	3,325	3,297	-28	higher than budgeted tonnage	3,990	3,938	-52	higher residual tonnage than expected
Waste - Green	709	296	-413	lower tonnage and transport cost	851	329	-522	lower tonnage and transport cost
Waste - Wood	950	654	-296	negotiated lower disposal rate with different provider	1,140	785	-355	negotiated lower disposal rate with different provider
Waste - Other	877	651	-225		1,052	781	-271	
Other Supplies	1,098	503	-595		1,318	700	-618	not extending expired leases
Depreciation	128	322	194	2016/17 year end property valuation increase	154	390	236	per 2016/17 year end property valuation
Financing and Other	-42	-46	-4		-50	-55	-5	
Trade Waste and Other Income	-1,526	-1,708	-182	higher trade waste income	-1,831	-1,983	-152	
Waste - Concession interest	-440	-417	23		-528	-500	28	concession underspend per 2016/17 agreed/audited accounting treatment
Waste - Concession liability	-382	-443	-61		-458	-531	-73	
Financing SERC - Concession Interest	440	417	-23		528	500	-28	
Financing SERC - Interest	566	564	-2		679	672	-7	
Premises - SERC	171	176	5		205	226	21	
Depreciation - SERC	893	865	-28		1,072	1,036	-36	
FCL Levy income	-10,433	-8,633	1,800	1.8M dispersed to Boroughs	-12,520	-10,720	1,800	1.8M dispersed to Boroughs
<b>Fixed Cost Levy Net Expenditure</b>	<b>0</b>	<b>-315</b>	<b>-315</b>		<b>0</b>	<b>-559</b>	<b>-559</b>	

## Appendix 2

KPI No	Measure	2017/18 Target	Forecast	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Comments
<b>Efficiency</b>														
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 515,899 to 570,204 tonnes	516,008	40,313	46,182	47,934	43,980	45,518	42,906	41,785	40,931	39,307	41,151	
KPI2	Total kgs WCA waste per dwelling	867	824	64	74	77	70	73	68	67	65	63	66	
KPI3	HRRC reuse, recycling, composted % (Twyford)	60%	44%	39%	46%	49%	46%	47%	41%	40%	46%	41%	40%	The target is a aspirational target and there have been some changes on site.
KPI4	Borough HRRC Average reuse, recycling, composted %	60%	41%	42%	46%	46%	43%	45%	46%	45%	44%	20%	31%	The target is a aspirational target and it is the first time it has been collated by the Authority. Space Waye was shut to the public for 2 weeks in December.
KPI5	% of HRRC residual waste recycled	TBC	-											The trials commenced in June and are progressing with two operators following one operator withdrawing. Data is still outstanding.
KPI6	Trade debt as proportion of non levy income	Max of 8% (1 month)	3.7%	2.4%	2.3%	2.4%	5.9%	1.0%	4.3%	1.8%	1.8%	7.5%	7.8%	
KPI7	Average days to pay creditors	Max of 30 days	18	14	17	18	18	18	18	19	20	21		
KPI8	Number of audit actions or recommendations overdue	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Service Delivery</b>														
KPI9	Residual waste landfill diversion rate	96%	96%	65%	98%	94%	99%	100%	99%	100%	100%	100%	100%	
KPI10	Recycling rate for residual waste	2.00%	1.1%	0.57%	0.85%	0.47%	1.30%	1.43%	1.34%	1.78%	1.37%	0.73%	0.99%	Due to the downtime caused by the oscillating stacks at the SERC EfW there is a risk that this target will not be achieved by the end of the year.
<b>Safety</b>														
KPI11	RIDDOR reported incidents at rail transfer stations	0	1	0	0	0	0	0	0	0	1			TBC
KPI12	RIDDOR reported incidents at Twyford	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Environment</b>														
KPI13	EA reported incidents at rail transfer stations	0	0	0	0	0	0	0	0	0	0	0	0	
KPI14	EA reported incidents at Twyford	0	0	0	0	0	0	0	0	0	0	0	0	no reported incidents, although we did notify EA of fire and they visited site
<b>Education</b>														
KPI15	Number of people engaged at events	Min of 6,000 people	6,918	169	1,112	1404	1253	204	795	576	221	0	31	No public engagement events were held in Dec 17
KPI16	Engagement on social media	Provisional 8,000	5,934	929	528	518	444	481	469	449	464	277	386	Communication Officer appointed and to review in year
KPI17	Number of Training days per WLWA employee	4	3.0	1.0	0.1	0.0	0.1	0.0	0.1	0.3	0.0	0.8	0.4	Significant training plan identified from appraisals for last quarter but unlikely to achieve aspirational target due to staffing changes and projects
KPI18	Number of visitors to our website	Min of 60,000 hits	80,018	8,437	7,417	7,207	6,875	6,434	6,094	6,426	5,560	5,715	6,517	

## Appendix 3

KPI No	Measure	2017/18 Target	Forecast	2018/19 Target	Notes
<b>Efficiency</b>					
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 515,899 to 570,204 tonnes	516,008	+/- 5% i.e. 511,929 to 565,816 tonnes	Per borough budgeted tonnage
KPI2	Total kgs WCA waste per dwelling	867	824	853	Per borough council tax base
KPI3	HRRC reuse, recycling, composted % (Twyford)	60%	44%	45%	Measurement in accordance with NI192 industry standard towards long term JMWMS target of 50%
KPI4	Borough HRRC Average reuse, recycling, composted %	60%	41%	45%	Measurement in accordance with NI192 industry standard towards long term JMWMS target of 50%
KPI5	% of HRRC residual waste recycled	TBC	-		Removed as included in above
KPI6	Trade debt as proportion of non levy income	Max of 8% (1 month)	3.7%	Max of 8% (1 month)	Reflects monthly billing cycle
KPI7	Average days to pay creditors	Max of 30 days	18	Max of 30 days	Industry standard
KPI8	Number of audit actions or recommendations overdue	0	0	0	per previous experience
<b>Service Delivery</b>					
KPI9	Residual waste landfill diversion rate	96%	96%	96%	per principal contract
KPI10	Recycling rate for residual waste	2.00%	1%	2.00%	per principal contract
<b>Safety</b>					
KPI11	RIDDOR rate at rail transfer stations (previously incidents)	0	0	TBC	new H&S industry wide measure
KPI12	RIDDOR rate at Twyford (previously incidents)	0	0	TBC	new H&S industry wide measure
<b>Environment</b>					
KPI13	EA reported incidents at rail transfer stations	0	0	0	per previous experience
KPI14	EA reported incidents at Twyford	0	0	0	per previous experience
<b>Education</b>					
KPI15	Number of people engaged at events	Min of 6,000 people	6,918	6,000	per previous experience
KPI16	Engagement on social media	Provisional 8,000. Communication Officer to review in year	5,934	8,000	per previous experience
KPI17	Number of Training days per WLWA employee	4	3.0	4	to improve on current years performance
KPI18	Number of visitors to our website	Min of 60,000 hits	80,018	60,000	per previous experience