

**Budget Monitoring Report Period 2 (May)****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 2018/19
- 2) Approve the KPIs for 2018/19
- 3) Note the financial decisions taken under the Scheme of Delegation to Officers
- 4) Approve the virement (transfer) of £170,000 from the contracts budget to the project budget

**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**

	P2 Budget £ 000s	P2 Actual £ 000s	P2 Variance £ 000s	Year Budget £ 000s	Year Forecast £ 000s	Year Variance £ 000s
<b>Expenditure</b>						
Employees	301	302	2	1,803	1,786	-17
Premises	429	650	221	2,571	3,243	672
Waste Transport & Disposal	7,599	7,506	-93	45,592	44,967	-625
Other supplies	155	175	21	927	1,023	96
Depreciation	1,433	1,387	-46	8,600	8,346	-254
Financing and Other	1,042	807	-234	6,250	5,814	-436
Concession Adjustment	-678	-689	-12	-4,065	-4,139	-74
	<b>10,280</b>	<b>10,138</b>	<b>-142</b>	<b>61,678</b>	<b>61,040</b>	<b>-638</b>
<b>Income</b>						
Levies	-9,975	-9,945	30	-59,850	-59,850	0
Trade and other	-305	-348	-43	-1,828	-1,987	-159
	<b>-10,280</b>	<b>-10,293</b>	<b>-13</b>	<b>-61,678</b>	<b>-61,837</b>	<b>-159</b>
<b>(Surplus) / Deficit</b>	<b>0</b>	<b>-155</b>	<b>-155</b>	<b>0</b>	<b>-797</b>	<b>-797</b>

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 overall performance for both period 2 and forecast for the year are both showing favourable variances (i.e. overall underspends) – £155k for period 2 and £797k for the year's forecast.

The most notable cause of variances in budgets results from the purchase of transfer station sites. The budget was set on the assumption that the transfer station sites would have been purchased before the commencement of 2018/19. The purchase is now expected to take place at the end of September. Therefore the related budgets will see variances forecast for the year i.e. we will continue paying rents for 6 months resulting in an overspend (£672k) in the premises budget and we'll have no financing costs and depreciation for six months resulting in an underspend in the financing budget (£436k) and depreciation budget (£254k). The forecasts have been updated to reflect the latest expected timing of the acquisition.

Another notable forecast variance is for waste transport and disposal (£625k). The forecast anticipates savings resulting from the food and green waste procurement where prices have been achieved which are significantly lower than both budget and the current price. However, it is important to note that waste volumes can change significantly from month to month and these savings could be easily eroded by higher than budgeted volumes of waste. The forecast will therefore be continually updated over the course of the year.

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 2018/19**

The 2017/18 suite of KPIs provided a good range of indicators for monitoring business wide day to day operational performance. Therefore Appendix 2 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 2017/18.

The exceptions to this are:

- KPI3 and KPI4 (HRRC 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.
- KPI10 and KPI11 which are essentially health and safety indicators where previously we reported the number of incidents and we are now looking for more meaningful measures from the sector e.g. a rate such as the number of incidents per 100,000 worked hours which is a better measure of performance than just the number of incidents. The targets for these will be confirmed at the next Authority meeting.

The 2018/19 performance against KPIs will be reported from the next Authority meeting

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

These are summarised in Appendix 3 which can be found in the Part II of the Agenda, given the confidential/commercial nature of the information.

#### 4. Virement

The West London Alliance (WLA) is a partnership of 5 of our constituent boroughs (i.e. all but Richmond) plus 2 other London boroughs working towards more collaboration over a wide range of activities. The membership means there are some activities (i.e. waste management) where there would be a benefit from working more closely with the WLA e.g. to collaborate on their work or to avoid duplicating work.

On this basis the Authority are working on a project to look at the benefits of more joined up working on waste collections, in particular driving savings and better recycling e.g. through economies of scale in procurement, sharing operational approaches to drive improvements etc. The work will fully include all of our 6 constituent boroughs and will offer an opportunity for the other 2 London boroughs of the WLA to also participate.

It will be funded from savings resulting from the recent procurement of food waste services (contracts budget) so there will be no impact on the overall budget for the year. The funding is primarily for staff time and professional advice for project work and is estimated to cost £170,000 per year for two years.

The financial regulations require Authority approval of virements (i.e. transfer of budgets) in excess of £100,000, hence the recommendation.

**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 2				Forecast			
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Waste - Residual	4,052	4,076	24		24,311	24,314	3	
Waste - Residual: EFW Bulked	1,221	755	-466		7,324	7,291	-33	
Waste - Residual: EFW Delivered	667	1,114	447		4,002	3,984	-18	
Waste - Food	141	57	-84		844	455	-389	lower procured contract price
Waste - Mixed Organic	122	168	47		729	837	108	higher rates than expected
Waste - Green	186	181	-5		1,117	952	-165	lower procured contract price
Waste - Other	46	66	20		276	394	118	unbudgeted recyclables
Financing Costs	715	640	-74		4,288	4,335	47	
Depreciation - SERC	1,159	1,126	-33		6,955	6,757	-198	reduced indexed asset value per audit 18-19
Premises - SERC	215	205	-10		1,292	1,229	-63	
Concession Accounting Adjustment	-584	-594	-11		-3,502	-3,566	-64	
PAYT Levy income	-7,939	-7,909	30		-47,636	-47,636	0	
<b>PAYT Net Expenditure</b>	<b>0</b>	<b>-115</b>	<b>-115</b>		<b>0</b>	<b>-654</b>	<b>-654</b>	

Fixed Cost Levy	Period 2				Forecast			
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Employees	301	302	2		1,803	1,786	-17	
Premises	213	445	232		1,279	2,014	735	unbudgeted rent - transfer stations
Waste - Residual	726	707	-19		4,355	4,294	-61	
Waste - Green	104	71	-33		625	531	-94	lower procured contract price
Waste - Wood	162	155	-6		970	932	-38	
Waste - Other	173	156	-18		1,039	984	-55	
Other Supplies	155	175	21		927	1,023	96	Additional projects from procurement savings
Depreciation	274	261	-13		1,645	1,589	-56	
Financing	213	167	-46		1,278	1,037	-241	less borrowing interest than expected - transfer stations
Revenue Funding of Debt	114	0	-114		684	442	-242	half year effect - transfer stations
Concession Accounting Adjustment	-94	-95	-1		-563	-573	-10	
Trade Waste and Other Income	-305	-348	-43		-1,828	-1,987	-159	
FCL Levy income	-2,036	-2,036	0		-12,214	-12,214	0	
<b>Fixed Cost Levy Net Expenditure</b>	<b>0</b>	<b>-40</b>	<b>-40</b>		<b>0</b>	<b>-142</b>	<b>-142</b>	

## Appendix 2

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	Trade debt as proportion of non levy income	Max of 8% (1 month)	3.7%	Max of 8% (1 month)	Reflects monthly billing cycle
KPI6	Average days to pay creditors	Max of 30 days	18	Max of 30 days	Industry standard
KPI7	Number of audit actions or recommendations overdue	0	0	0	per previous experience
<b>Service Delivery</b>					
KPI8	Residual waste landfill diversion rate	96%	96%	96%	per principal contract
KPI9	Recycling rate for residual waste	2.00%	1%	2.00%	per principal contract
<b>Safety</b>					
KPI10	RIDDOR rate at rail transfer stations (previously incidents)	0	0	TBC	new H&S industry wide measure
KPI11	RIDDOR rate at Twyford (previously incidents)	0	0	TBC	new H&S industry wide measure
<b>Environment</b>					
KPI12	EA reported incidents at rail transfer stations	0	0	0	per previous experience
KPI13	EA reported incidents at Twyford	0	0	0	per previous experience
<b>Education</b>					
KPI14	Number of people engaged at events	Min of 6,000 people	6,918	6,000	per previous experience
KPI15	Engagement on social media	Provisional 8,000. Communication Officer to review in year	5,934	8,000	per previous experience
KPI16	Number of Training days per WLWA employee	4	3.0	4	to improve on current years performance
KPI17	Number of visitors to our website	Min of 60,000 hits	80,018	60,000	per previous experience