

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 in 2018/19 and Key Performance Indicators
- 2) Note the financial decisions taken under the Scheme of Delegation to Officers
- 3) Note the KPIs for 2018/19
- 4) Approve the KPIs for 2019/20

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	1,603	1,585	-17	1,923	1,905	-18
Premises	2,143	3,418	1,276	2,571	3,858	1,287
Waste Transport & Disposal	37,852	36,278	-1,574	45,422	42,979	-2,443
Other supplies	814	655	-159	977	960	-17
Depreciation	7,167	6,946	-221	8,600	8,335	-265
Financing and Other	5,208	4,446	-762	6,250	5,404	-846
Concession Adjustment	-3,388	-3,449	-62	-4,065	-4,139	-74
	51,398	49,880	-1,519	61,678	59,301	-2,377
Income						
Levies	-49,875	-49,940	-65	-59,850	-59,786	64
Trade and other	-1,523	-1,871	-347	-1,828	-2,174	-346
	-51,398	-51,811	-412	-61,678	-61,959	-281
(Surplus) / Deficit	0	-1,931	-1,931	0	-2,658	-2,658

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 and forecast for the year are both showing favourable variances (i.e. overall underspends) – £1.9 million for the period and £2.6 million for the year's forecast.

The most notable forecast variance is for waste transport and disposal (£2.4 million). The main factor is that residual waste prices and volumes are lower than budgeted contributing (£1.3 million) to the forecast underspend. It is important to note that waste volumes can change significantly from month to month and these savings could be eroded a little in the final two months of the year by higher than budgeted volumes of waste. The forecast also anticipates savings resulting from the food and green waste procurement (£0.9 million) where prices have been achieved which are significantly lower than both budget and the current price.

The other 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 forecast now incorporates the purchase of the sites in January. Therefore, the related budgets see variances forecast for the year i.e. we paid rents for 10 months resulting in an overspend (£1.2 million) in the premises budget and we had no financing costs till then resulting in an underspend in the financing budget (£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 and provides commentary on the variances.

2. KPIs for 2018/19

The KPI table (Appendix 2) illustrates the performance across a wide range of key activities.

Most indicators are on target however as previously reported there is one significant exception, KPI16 the number of training days. The exceptionally busy year to date and priority of business plan projects means that the target will not be achieved this year. This is a challenge which is more pertinent to small organisations with limited numbers of employees where many are involved in projects. This KPI has been reviewed in setting the 2019/20 targets.

3. KPIs for 2019/20

The current suite of KPIs provides a wide range of indicators for monitoring business wide performance. Appendix 3 provides the KPIs for 2019/20 and shows that the measures remain largely unchanged with many targets maintained at the current level.

The exception to this is KPI16 (training days) where the KPI now links to the annual training plan identified through the annual appraisal process. This brings together the target with the Authority plans and skill gaps to show how much of the training plan is completed over the year.

In order to focus waste minimisation activities on the boroughs priority of reducing costs (e.g. projects such as food waste, textiles and WEEE recycling) the targets for engagement and websites (KPI14 and KPI17) have been reduced to enable this change in priority.

KPI3 and KPI4 recycle rates will also change and be calculated in accordance with industry standard definitions and provide an improvement on the 2018/19 actual performance.

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

There are three significant delegated decisions to report:

The Authority's key insurance policies expire on 31 March 2019. An OJEU procurement exercise was undertaken and contracts were awarded in accordance with the procurement rules to:

- RMP Ltd for the liability policy under a 5 year agreement.
- Aspen Insurance for the material damage policy (i.e. property) under a 2 year agreement

The total value of these insurance contracts is £427,000 over their full contract terms. Both policies will deliver savings. The annual savings total £48,000 per year compared to the current premium.

It should be noted that the market is extremely challenging and there is very little appetite for our business from insurers – the waste industry is regarded as a high risk sector and the value of our contract is very small in corporate insurance terms. Despite this an excellent result has been achieved by our advisors Harrow Council and brokers Aon.

A contract to make necessary improvements to the Twford site was awarded to the Berric Building Services, the supplier with the best quoted price (£118,000). The main areas of work are for steelwork and concrete repairs, work on tipping aprons and the removal of the compactors at site.

The approval of an extension to the mattress collection and treatment contract totalling £110,000 for 3 months to the existing provider Matt UK. This will give the opportunity to explore potential efficiencies in the haulage solution so it can then be incorporated into a new procurement specification.

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.

Contact Officers	Jay Patel, Head of Finance	01895 54 55 11
	jaypatel@westlondonwaste.gov.uk	
	Emma Beal, Managing Director	01895 54 55 15
	emmabeal@westlondonwaste.gov.uk	
	Ian O'Donnell, Treasurer	
	ianodonnell@westlondonwaste.gov.uk	

Appendix 1

Pay As You Throw	Period 10				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Comments	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	20,259	18,636	-1,623		24,311	23,458	-853	lower prices and tonnes than budgeted
Waste - Residual: EfW Bulked	6,103	5,672	-432		7,324	6,358	-966	more waste direct delivered reducing bulking
Waste - Residual: EfW Delivered	3,335	4,865	1,530		4,002	4,865	863	cost
Waste - Food	562	241	-321		674	283	-391	lower procured contract price
Waste - Mixed Organic	608	667	59		729	739	10	
Waste - Green	931	851	-80		1,117	925	-192	lower procured contract price
Waste - Other	230	394	164		276	479	203	large amounts of trade wood
Financing Costs	3,573	3,292	-282		4,288	4,335	47	
Depreciation - SERC	5,796	5,631	-165		6,955	6,757	-198	reduced indexed asset value per audit 18-19
Premises - SERC	1,077	1,063	-14		1,292	1,275	-17	
Concession Accounting Adjustment	-2,918	-2,972	-53		-3,502	-3,566	-64	
PAYT Levy income	-39,697	-39,762	-65		-47,636	-47,572	64	
PAYT Net Expenditure	-142	-1,424	-1,283		-170	-1,664	-1,494	

Fixed Cost Levy	Period 10				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Comments	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	1,603	1,585	-17		1,923	1,905	-18	
Premises	1,066	2,355	1,290		1,279	2,582	1,303	unbudgeted rent - transfer stations
Waste - Residual	3,629	3,435	-194		4,355	4,045	-310	
Waste - Green	521	272	-249		625	320	-305	lower procured contract price
Waste - Wood	808	621	-187		970	745	-225	lower procured contract price
Waste - Other	866	626	-240		1,039	762	-277	lower transport cost
Other Supplies	814	655	-159		977	960	-17	
Depreciation	1,371	1,315	-56		1,645	1,578	-67	
Financing	1,065	978	-87		1,278	816	-462	less borrowing interest than expected - transfer stations
Revenue Funding of Debt	570	177	-393		684	253	-431	three quarters effect - transfer stations
Concession Accounting Adjustment	-469	-477	-8		-563	-573	-10	
Trade Waste and Other Income	-1,523	-1,871	-347		-1,828	-2,174	-346	expected higher recyclables and trade waste income
FCL Levy income	-10,178	-10,178	0		-12,214	-12,214	0	
Fixed Cost Levy Net Expenditure	142	-507	-648		170	-994	-1,164	

Appendix 2

KPI No	Measure	2018/19 Target	Forecast	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Comments
Efficiency														
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 511,929 to 565,816 tonnes	527,479	42,809	50,036	47,957	44,605	44,509	40,969	41,838	45,533	39,350	41,960	
KPI2	Total kgs WCA waste per dwelling	853	835	813	882	891	880	873	857	848	850	839	835	
KPI3	CA household reuse, recycling, composted % (Twyford)	45%	36%	40%	42%	42%	37%	32%	33%	39%	31%	29%	37%	
KPI4	Borough HRRC Average CA household reuse, recycling, composted %	45%	30%	29%	35%	33%	30%	30%	29%	31%	28%	24%	27%	
KPI5	Trade debt as proportion of non levy income	Max of 8% (1 month)	3.2%	1.5%	2.2%	4.1%	4.7%	2.9%	0.6%	2.7%	3.3%	3.7%	6.4%	
KPI6	Average days to pay creditors	Max of 30 days	24	30	21	21	21	22	23	24	25	26	28	
KPI7	Number of audit actions or recommendations overdue	0	0	0	0	0	0	0	0	0	0	0	0	
Service Delivery														
KPI8	Residual waste landfill diversion rate	96%	96%	100%	100%	99%	86%	99%	100%	100%	100%	100%	100%	In July SERC was offline for two weeks to rectify stack issues.
KPI9	Recycling rate for residual waste (Suez contract only)	2.00%	3%	2.97%	3.27%	3.57%	1.36%	2.88%	2.61%	2.99%	2.11%	2.47%	2.87%	
Safety														
KPI10	RIDDOR incidents at rail transfer stations	0	2	0	1	0	0	0	0	1	0	0	0	As reported atr previous meetings
KPI11	RIDDOR incidents at Twyford	0	0	0	0	0	0	0	0	0	0	0	0	
Environment														
KPI12	EA reported incidents at rail transfer stations	0	1	0	0	1	0	0	0	0	0	0	0	As reported atr previous meetings
KPI13	EA reported incidents at Twyford	0	2	0	0	0	0	0	1	1	0	0	0	As reported atr previous meetings
Education														
KPI14	Number of people engaged at events	6,000	6,000	734	551	630	656	140	1930	269	185	196	40	On track to hit 6K. Annual nappy figures to be added at end of march.
KPI15	Engagement on social media	8,000	8,000	253	444	812	611	338	372	953	1,148	438	837	On track to hit target (amber)
KPI16	Number of Training days per WLWA employee	128 days over the year across all employees	78.6	2.0	5.0	5.5	1.0	0.0	17.0	15.5	7.5	2.0	10.0	KPI reviewd for 19/20 - slow start to year and training picking up again
KPI17	Number of visitors to our website	60,000	60,000	7,193	7,780	6,204	6,133	5,882	6,509	5,774	5,055	4,289	5,216	On track for over 60K - min 3K visits per month needed to hit target (green)

Appendix 3

KPI No	Measure	2018/19 Target	Forecast	2019/20 Target	Notes
Efficiency					
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 511,929 to 565,816 tonnes	527,479	+/- 5% i.e. 518,206 to 572,754 tonnes	Per borough budgeted tonnage
KPI2	Total kgs WCA waste per dwelling	853	835	847	Per borough forecasts and council tax base less 1% to make a more challenging target
KPI3	HRRC reuse, recycling, composted % (Twyford)	45%	36%	40%	To measure in accordance with NI192 industry standard and reflect 18/19 actual
KPI4	Borough HRRC Average reuse, recycling, composted %	45%	30%	40%	To measure in accordance with NI192 industry standard and reflect 18/19 actual
KPI5	Trade debt as proportion of non levy income	Max of 8% (1 month)	3.2%	Max of 8% (1 month)	Reflects monthly billing cycle
KPI6	Average days to pay creditors	Max of 30 days	24	Max of 30 days	Industry standard and public sector guideline timescales
KPI7	Number of audit actions or recommendations overdue	0	0	0	per previous experience
Service Delivery					
KPI8	Residual waste landfill diversion rate	96%	96%	96%	per principal contract
KPI9	Recycling rate for residual waste	2.00%	3%	2.00%	per principal contract
Safety					
KPI10	RIDDOR rate at rail transfer stations (previously incidents)	0	1	0	per previous experience
KPI11	RIDDOR rate at Twyford (previously incidents)	0	0	0	per previous experience
Environment					
KPI12	EA reported incidents at rail transfer stations	0	1	0	per previous experience
KPI13	EA reported incidents at Twyford	0	2	0	per previous experience
Education					
KPI14	Number of people engaged at events	6000	6,000	3,000	to allow re-focus on business plan projects (food, textiles and WEEE) aimed at helping boroughs reduce costs
KPI15	Engagement on social media	8000	8,000	8,000	per previous experience
KPI16 old	Number of Training days per WLWA employee	128 days in year for all employees	78.6	N/A	replaced by below
KPI16 new	Items identified in annual training plan	N/A	N/A	68	linking target to the annual training plan and skill gaps identified through appraisals
KPI17	Number of visitors to our website	60,000	60,000	40,000	to allow re-focus on business plan projects (food, textiles and WEEE) aimed at helping boroughs reduce costs