

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 2019/20
- 2) Note the KPIs
- 3) Note the financial decisions taken under the Scheme of Delegation to Officers
- 4) Delegate authority to the Managing Director in consultation with the Treasurer and Chair to introduce a new PAYT rate for gully waste

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
Expenditure						
Employees	339	295	-43	2,031	1,973	-58
Premises	448	414	-34	2,686	2,560	-127
Waste Transport & Disposal	7,700	7,740	41	46,198	46,292	94
Other supplies	165	106	-59	992	948	-44
Depreciation	1,414	1,421	7	8,485	8,527	42
Financing and Other	1,091	1,075	-16	6,546	6,435	-111
Concession Adjustment	-703	-703	0	-4,215	-4,215	0
	10,454	10,348	-105	62,723	62,520	-203
Income						
Levies	-10,135	-10,248	-113	-60,810	-60,810	0
Trade and other	-319	-335	-17	-1,913	-2,356	-443
	-10,454	-10,584	-130	-62,723	-63,166	-443
(Surplus) / Deficit	0	-235	-235	0	-647	-647
Disbursement back to boroughs	0	0	0	0	1,900	1,900
Net position	0	-235	-235	0	1,253	1,253

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 period 2 is close to budget

and the forecast for the year shows a favourable variance (i.e. underspend) of £0.6 million. The forecast surplus principally reflects unanticipated income from the PPP arrangement of £0.5 million which has to be confirmed – under the PPP arrangement the Authority are entitled to a share of income above certain thresholds and one of these thresholds has been exceeded.

Other variances are small and at this early stage in the year there are no concerning trends. However, it is important to note that waste volumes can change significantly from month to month so waste flows will be continually monitored over the course of the year and the forecast will be updated and reported accordingly.

The disbursement to boroughs of £1.9 million as detailed in an earlier report is also included in the summary which consequently shows a forecast net position of a £1.2 million deficit.

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 2019/20

The KPI table (Appendix 2) illustrates the performance across a wide range of key activities. Most indicators are on target with just is one significant exception:

- KPI5 trade debt as proportion of levy income – the performance is significantly skewed by the debt of one debtor. This debt is being chased through legal processes with solicitors advice. It is expected that the debt will be recovered as the debtor is a large national company.

It should also be noted that a new safety KPI will be added to the suite of KPIs. The new indicator KPI18 is the lost time injury rate which is a safety KPI which is commonly used across the sector. A target for this and performance will be reported in coming meetings.

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.

There are no delegated decisions to report.

4. New gully waste PAYT rate

In 2016 the Authority made arrangements to dispose of gully waste for recycling at a very competitive rate, much lower than the cost of disposing of residual waste. Since then the Authority has been working with borough Officers to increase separated capture of this material from residual waste. It increases recycling and reduces the overall cost. It is a very small proportion of overall tonnage currently budgeted at less than 4,000 tonnes.

Our capture of gully waste is reducing and the material is either going outside of the Authority or back into residual waste. Borough Officers are requesting that we pass back the cost saving directly in the same way as food waste and green waste to enable them to participate. i.e. these have a lower PAYT rate than the single blended residual PAYT rate.

Therefore, we are investigating whether this can be done in the current year to protect this small but environmentally valuable service. The maximum one-off impact (reduced income) on the budget should we introduce a new lower gully waste rate for 2019/20 will be £300,000. There will be no impact on future budgets. As outlined in the 2018/19 Accounts paper earlier in the agenda, the Authority has retained reserves in order to manage just these type of changes in the levy mechanism.

On this basis, Officers are recommending that the Authority delegate the decision to introduce a new 2019/20 levy for gully waste to the Managing Director in consultation with the Treasurer and Chair.

It is worth noting that gully waste is a good example of how the current levy setting approach does sometimes result in behaviours (e.g. diverting waste away from the Authority) which collectively costs more. Therefore, the levy setting mechanism will be reviewed to identify any other anomalies and opportunities.

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

6. 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	4,191	4,454	262		25,148	25,040	-108	
Waste - Residual: EfW Bulked	1,245	1,284	39		7,472	7,479	7	
Waste - Residual: EfW Delivered	684	261	-423		4,104	4,083	-21	
Waste - Food	53	54	1		318	322	4	
Waste - Mixed Organic	134	196	62	Seasonality	807	807	0	
Waste - Green	136	177	40	Seasonality	818	837	18	
Waste - Other	74	100	27		442	602	160	
Financing Costs	699	709	10		4,193	4,251	59	
Depreciation - SERC	1,134	1,097	-37	Based on March 2019 valuation	6,806	6,583	-223	Based on March 2019 valuation
Premises - SERC	215	205	-10		1,289	1,231	-59	Lower NNDR than budgeted
Concession Accounting Adjustment	-604	-604	0		-3,623	-3,623	0	
PAYT Levy income	-7,962	-8,075	-113		-47,774	-47,774	0	
PAYT Net Expenditure	0	-143	-143		0	-163	-163	

Fixed Cost Levy	Period 2				Forecast			
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Employees	339	295	-43	Unfilled vacancies for part of the year	2,031	1,973	-58	Unfilled vacancies for part of the year
Premises	233	209	-24	Lower NNDR than budgeted	1,397	1,329	-68	Lower NNDR than budgeted
Waste - Residual	741	860	119		4,444	4,464	20	
Waste - Green	75	59	-17		451	462	11	
Waste - Wood	110	158	48		657	946	289	Estimated larger volumes of wood
Waste - Other	256	139	-117		1,537	1,252	-285	
Other Supplies	165	106	-59		992	948	-44	
Depreciation	280	324	44	Based on March 2019 valuation	1,679	1,945	266	Based on March 2019 valuation
Financing	249	216	-32		1,491	1,283	-208	Funds borrowed at lower rate than budgeted
Revenue Funding of Debt	144	150	6		862	900	38	
Concession Accounting Adjustment	-99	-99	0		-592	-592	0	
Trade Waste and Other Income	-319	-335	-17		-1,913	-2,356	-443	Estimated PPP revenue share
FCL Levy income	-2,173	-2,173	0		-13,036	-11,136	1,900	1.9M dispersed to Boroughs
Fixed Cost Levy Net Expenditure	0	-92	-92	0	0	1,416	1,416	

Appendix 2 – KPIs to end of April

KPI No	Measure	2019/20 Target	Forecast	Apr	May	Comments
Efficiency						
KPI1	Total WCA waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% i.e. 518,206 to 572,754 tonnes	545,604	45,467		
KPI2	Total kgs WCA waste per dwelling	847	856	856		
KPI3	HRRC reuse, recycling, composted % (Twyford)	40%	39%	39%		
KPI4	Borough HRRC Average reuse, recycling, composted %	40%	30%	30%		
KPI5	Trade debt as proportion of non levy income	Max of 8% (1 month)	12.0%	12.0%		9% (£170,318) relates to a single debt in legal stages of recovery
KPI6	Average days to pay creditors	Max of 30 days	29	29		
KPI7	Number of audit actions or recommendations overdue	0	0	0		
Service Delivery						
KPI8	Residual waste landfill diversion rate	96%	100%	100.00%		
KPI9	Recycling rate for residual waste	2.00%	3%	2.84%		
Safety						
KPI18	Lost Time injury frequency rate					Following the H&S recommendation to review KPI's for H&S reporting this is being added to the reported KPI's. It's an indicator that is widest used and recommended in the waste sector and used by the HSE to compare performance between industries.
KPI10	RIDDOR rate at rail transfer stations (previously incidents)	0	0	0		
KPI11	RIDDOR rate at Twyford (previously incidents)	0	0	0		
Environment						
KPI12	EA reported incidents at rail transfer stations	0	0	0		
KPI13	EA reported incidents at Twyford	0	0	0		
Education						
KPI14	Number of people engaged at events	3,000	#DIV/0!			
KPI15	Engagement on social media	8,000	7,140	595		
KPI16	Items identified in annual training plan	68	66	11		
KPI17	Number of visitors to our website	40,000	82,596	6,883		

* KPIs reflect the most recent data available at the time of writing

Date prepared: 4 June 2019