

Budget Monitoring Report Period 7 (October)**SUMMARY**

This report provides an update on financial and operational matters

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the current financial position, forecast for 2020/21
- 2) Note the KPIs
- 3) 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

	P07 Budget £ 000s	P07 Actual £ 000s	P07 Variance £ 000s	Year Budget £ 000s	Year Forecast £ 000s	Year Variance £ 000s
Expenditure						
Employees	1,267	1,291	23	2,173	2,266	93
Premises	1,521	1,578	57	2,607	2,645	38
Waste Transport and Disposal	27,951	28,806	855	47,917	49,253	1,336
MRF Waste Transport and Disposal	0	1,016	1,016	0	2,031	2,031
Supplies and Services	525	1,041	516	900	1,546	646
Depreciation	5,121	5,129	8	8,778	8,792	14
Financing and Other	3,663	3,666	3	6,280	6,285	5
Concession Adjustment	(2,506)	(2,506)	0	(4,296)	(4,296)	0
	37,543	40,021	2,478	64,359	68,522	4,163
Income						
Levies	(36,326)	(37,523)	(1,197)	(62,273)	(64,041)	(1,767)
MRF Service Charge	0	(1,016)	(1,016)	0	(2,031)	(2,031)
Trade and Other	(1,216)	(1,393)	(176)	(2,085)	(2,251)	(165)
	(37,543)	(39,932)	(2,389)	(64,359)	(68,323)	(3,964)
(Surplus) / Deficit	0	89	89	0	199	199

The summary shows how financial performance compares to the budget for both the period and the forecast for the year.

Whilst the overall deficit for both P7 and the year's forecast are small, the impact of the Covid-19 pandemic remains the main feature of the performance so far this year. In particular its

impact on waste flows (principally residual waste which accounts for the majority of spend) and therefore the large variances for Waste Transport and Disposal (WTD) costs and Levies.

The budget also includes the financial effects of a new dry mixed recycling (DMR) contract for Ealing. This is cost neutral for the Authority but creates off-setting variances in both MRF WTD costs and MRF Income.

These variances are detailed in the standard breakdown in Appendix 1 which separates out the main types of waste streams and distinguishes between PAYT and FCL activities. A summary of the key points follow.

Firstly in terms of PAYT waste, with more people working and studying from home and on furlough, there were increased volumes of household collected waste, particularly during June and July. For the period to P7 collected residual waste spending was £1.3 million more than budgeted reflecting increased waste volumes of 5%.

Similarly, food, mixed organic and green collections spending combined were £0.3 million more than budget reflecting the higher volumes of recyclable waste collected.

The increased volume and growth in costs of household collected waste is mirrored by an increase in the amount boroughs will have to pay through the PAYT levy and this totals £1.2 million for the period to P7. The PAYT charge is adjusted on a quarterly basis to reflect actual tonnages.

Secondly, in terms of FCL waste, the closure of HRRCs to the public in March resulted in significantly reduced overall waste volumes across all waste materials for the period. Following re-opening the picture for individual HRRC sites are varied with some seeing lower volumes and others higher.

Residual waste is the main component of HRRC waste costs and during the period this was £0.2 million or 5% lower than budgeted.

All of the above will be familiar patterns from the weekly services reports which have been shared with Members and borough Environment Directors since the start of the Covid-19 pandemic.

So, in terms of the year's forecast of WTD costs, these have been built by focussing on the main waste streams (which account for the vast majority of the spend) and by separately considering the collections activity (PAYT) and HRRC activity (FCL).

For residual waste collections (PAYT) the forecast uses the current level of activity i.e. average for July to October where waste flows were a little more stable. This level has been projected to the end of the year.

The resulting forecast for residual waste collections gives by far the largest forecast variance of £1.9 million representing 5% higher residual waste volumes.

The increased waste collections have been reflected in the PAYT levy which is forecasting that boroughs in total will have to pay £1.8 million more than budgeted through the quarterly reconciliation exercises for the additional volumes of waste delivered.

For HRRCs (FCL), once again the main component is residual waste. Using volumes from July to October for forecasting the variance for the year is projected to be an underspend of £0.8 million.

Moving on to other key variances, there are two to note.

Firstly, the FCL now also includes the commencement of a dry mixed recycling (DMR) contract procured for LB Ealing as reported in Contract Updates to the Authority during the last year. This commenced in June and will be cost neutral for the Authority. The forecast spend from this service will be £2.0 million which will be offset by income from LB Ealing of £2.0 million.

Secondly, Supplies and Services includes £0.6 million for the Authority's share of an increase in the SERC insurance premium. Under the PPP contract the risk of increases in the insurance premium is shared. The contractor is responsible for all the increase up to a threshold. The amount above the threshold is then shared with the Authority. It should be noted that the waste sector faces a very challenging insurance market and premiums are likely to rise in coming years.

2. KPIs for 2020/21

The KPI table (Appendix 2) illustrates the performance across a wide range of key activities together with their RAG rating. Most indicators are on target however a number of activities have been effected by the Covid-19 pandemic and this is reflected in the RAG rating and commentary. These are briefly summarised below:

- KPI5 and KPI6 site closures to public, changes in operations and waste flows together with varied performance across HRRCs have all contributed to the lower overall levels of reuse, recycling and composted rates and percentage diversion from residual waste.
- KPI17, KPI18 and KPI21 reflect the hold on some face to face waste minimisation activities (e.g. events) as a result of the pandemic to ensure the safety of employees and residents. Events are a key driver of social media activity, so this has also been significantly reduced.

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

There were none.

4. Financial Implications – These are detailed in the report. Covid-19 is increasing costs due to increased waste.

5. 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 07				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Waste - Residual	22,213	23,500	1,287	5% more waste	38,079	39,992	1,913	average of July to October used to forecast rest of year
Waste - Food	188	223	35		322	381	59	average of July to October used to forecast rest of year
Waste - Mixed Organic	491	642	151	31% more waste	842	1,014	172	average of July to October used to forecast rest of year
Waste - Green	489	585	95	growth for some boroughs offset by later start to collections in other boroughs	839	958	119	average of July to October used to forecast rest of year
Waste - Other	339	244	(95)	much lower volume of mattresses	581	486	(95)	much lower volume of mattresses
Depreciation	3,784	3,784	0		6,486	6,486	0	
Financing	2,393	2,393	0		4,103	4,103	0	
Premises	714	714	(0)		1,225	1,225	(0)	
Concession Accounting Adjustment	(2,126)	(2,126)	0		(3,645)	(3,645)	0	
Levy Income	(28,485)	(29,682)	(1,197)	reflecting increased collection volumes	(48,831)	(50,598)	(1,767)	reflecting increased volumes
PAYT Net Expenditure	0	276	276		0	402	401	

Fixed Cost Levy	Period 07				Forecast			
	Budget £ 000s	Actual £ 000s	Variance £ 000s	Commentary	Budget £ 000s	Estimate £ 000s	Variance £ 000s	Commentary
Employees	1,267	1,291	23		2,173	2,266	93	
Premises	807	864	57		1,383	1,420	38	
Waste - Residual	2,920	2,737	(183)	closure of HRRCs to public	5,006	4,678	(328)	average of July to October used to forecast rest of year
Waste - Green	228	157	(71)	closure of HRRCs to public	391	313	(78)	average of July to October used to forecast rest of year
Waste - Wood	603	412	(191)	closure of HRRCs to public	1,034	806	(228)	average of July to October used to forecast rest of year
Waste - Other	481	307	(174)	closure of HRRCs to public	824	626	(199)	average of July to October used to forecast rest of year
Waste - MRF	0	1,016	1,016	DMR for Ealing	0	2,031	2,031	DMR for Ealing
Supplies and Services	525	1,041	516	WLWA's share of the increase in SERC insurance premium is £663k	900	1,546	646	WLWA's share of the increase in SERC insurance premium is £663k
Depreciation	1,337	1,345	8		2,292	2,306	14	
Financing	733	736	3		1,257	1,262	5	
Revenue Funding of Debt	537	537	0		920	920	0	
Concession Accounting Adjustment	(380)	(380)	0		(651)	(651)	0	
Trade Waste and Other Income	(1,216)	(1,393)	(176)	increased trade waste	(2,085)	(2,251)	(165)	
MRF Income	0	(1,016)	(1,016)	DMR for Ealing	0	(2,031)	(2,031)	DMR for Ealing
Levy Income	(7,841)	(7,841)	0		(13,442)	(13,442)	0	
Fixed Cost Levy Net Expenditure	0	(187)	(187)		0	(202)	(202)	

Appendix 2

KPI No	Measure	2020/21 Target	Outturn	Comments	Apr	May	Jun	Jul	Aug	Sep	Oct	Red Threshold / RAG rating
Efficiency												
												forecast performance not on target is amber, if poorer than this red threshold then red
KPI1	Total waste handled by Authority (tonnes, +/- 5% of budget)	+/- 5% of 546,443	562,116		39,979	45,361	50,086	50,058	44,462	48,544	46,291	> +/- 10% is red
KPI2	Total kgs waste per dwelling	+/- 5% of 848	872		745	795	841	864	856	864	864	> +/- 10% is red
KPI3	HRRC reuse, recycling, composted % (Abbey Road)	40%	37%	04/11/20 - Asked for ideas from Arron	Site closed	45%	43%	39%	31%	32%	30%	Red = below 19/20 actual (36%)
KPI4	HRRC diversion from residual waste % (Abbey Road)	60%	58%	04/11/20 - Asked for ideas from Arron	Site closed	65%	65%	65%	56%	52%	47%	Red = below 55%
KPI5	Borough HRRC Average reuse, recycling, composted % (excl Abbey Road)	40%	23%	This fig includes some very good performances of close to 50% recycling from Richmond and Ealing sites and low levels from Harrow and Hillingdon. When the queues were at their worst Harrow sent all waste as residual waste. 17/11 - SE note - there's something wrong with the Richmond data, their recycling and diversion rates are far too low	Sites closed	20%	24%	25%	23%	25%	20%	Red = below 19/20 actual (29%)
KPI6	Borough HRRC Average diversion from residual waste % (excl Abbey Road)	60%	41%	This fig includes some very good performances of over 70% diversion at Ealing sites. There are errors in the Hounslow data in PowerBi.	Sites closed	35%	40%	44%	44%	43%	39%	Red = below 55%
KPI7	Trade debt as proportion of non levy income	Max of 8% (1 month)	6%	The Authority started a new DMR contract for a constituent borough and recently issued bills (not overdue) account for 12.4% of this debt %. This large value arrangement (compared to all others) skews the calculation of this KPI.	5.4%	4.3%	5.4%	4.7%	4.3%	4.3%	15.7%	> 16% (2 months debt)
KPI8	Average days to pay creditors	Max of 30 days	17		6	7	12	7	33	28	29	>35 days
KPI9	Number of audit actions or recommendations overdue	0	0		0	0	0	0	0	0	0	> 3 overdue recommendations
Service Delivery												
KPI10	Residual waste landfill diversion rate	96%	100.0%		100.00%	100.00%	100.00%	100.00%	100.00%	99.99%	99.99%	Below target
KPI11	Recycling rate for residual waste	2.00%	6%		5.69%	5.58%	5.47%	5.46%	5.59%	5.66%	5.71%	Below target
Safety												
KPI12	Lost Time injury frequency rate	0.00%	0%	No LTI reported within this timeframe	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	If above 5% is red
KPI13	RIDDOR incidents at Abbey Road (previously rate)	0	0		0	0	0	0	0	0	0	If goes above 1 then is red
KPI14	Safety observations and closeout actions	10 per month	30	required number of observations made during this timeframe	0	0	0	0	10	10	10	Below target
Environment												
KPI15	EA reported incidents at rail transfer stations	0	0		0	0	0	0	0	0	0	If goes above 1 then is red
KPI16	EA reported incidents at Abbey Road	0	0		0	0	0	0	0	0	0	If goes above 1 then is red
Education												
KPI17	Number of people engaged at events	4,000	523	Very few events due to pandemic - first online engagements in August, outdoor events	0	0	0	0	173	3	129	2,800 and under (70% of target)
KPI18	Engagement on social media	9,000	3,237	Limited events due to pandemic reducing engagement	413	147	153	146	100	426	503	6,300 and under (70% of target)
KPI19	Skills plan items completed	100	101	Significant L&D booked for later in year	0	2	7	1	0	15	26	< 80
KPI20	Number of visitors to our website	75,000	224,652	Booking systems & bulky waste launches have increased online traffic significantly	8,245	13,699	14,415	15,553	27,467	27,747	23,921	52,500 and under (70% of target)
KPI21	Number of nappy pack requests	300	151	Scheme on hold due to pandemic - no packs given out since April and no new requests since mid-October	17	12	15	5	17	14	8	210 and under (70% of target)

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