

Finance Update May 2022

SUMMARY

This report provides an update on financial and operational matters. The key points are:

- Financial performance is broadly on track.
- Some work will be undertaken in the coming month to better forecast the Authority's share of electricity income from energy production for the year - this is one of the items of information that will also support the further development of the Finance Strategy.
- Operational performance is largely on track with one key exception on turnaround times resulting from a fire and crane failure at a transfer station.
- There were two delegated decisions.

RECOMMENDATION(S)

The Authority is asked to:-

- 1) Note the current financial position and forecast for 2022/23
- 2) Note the KPIs to date
- 3) Note the delegated decisions

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

The overall performance for period 2 shows a favourable variance (i.e. underspend) of £0.137 million compared to budget. The favourable variance on employee costs of 21k is due to savings in Contracts, Abbey Road and Projects. There is a small underspend of £ 206k on Waste Transfer and Disposal costs but it is too early in the year to identify any patterns.

The Covid-19 impact is now wearing off and waste levels are budgeted to go back to pre-pandemic levels. However we are just two months into the new financial year and there is insufficient data to accurately forecast waste volumes going forward. On this basis future months have been forecast at budgeted levels. In particular at this stage it is difficult to predict the impact on waste flows (principally residual waste which accounts for the majority of spend). Other spending budgets are broadly on target.

The budget also includes as it did for financial year 2021/22, the financial effects of the new dry mixed recycling (DMR) contract for Ealing. This is cost neutral for the Authority but creates further variations in the WTD costs and Trade/Other Income.

High Level Summary

	P2 Budget £ 000s	P2 Actual £ 000s	P2 Variance £ 000s	Full Year Budget £ 000s	Full Year Forecast £ 000s	Full Year Variance £ 000s
Expenditure						
Employees	441	420	(21)	2,648	2,627	(21)
Premises	445	460	15	2,672	2,687	15
Waste Transfer and Disposal	8,260	8,054	(206)	49,558	49,352	(206)
MRF Waste Transfer and Disposal	358	310	(48)	2,148	2,100	(48)
Supplies and Services	200	207	8	1,198	1,206	8
Depreciation	1,635	1,717	82	9,809	10,300	491
Financing and Other	1,011	1,011	(0)	6,067	6,067	(0)
Concession Adjustment	(746)	(746)	0	(4,473)	(4,473)	0
	11,605	11,433	(171)	69,628	69,866	238
Income						
Levies	(10,759)	(10,759)	(0)	(64,552)	(64,552)	(0)
MRF Service Charge	(358)	(310)	48	(2,148)	(2,100)	48
Trade and Other	(355)	(369)	(14)	(2,128)	(2,142)	(14)
	(11,471)	(11,437)	34	(68,828)	(68,794)	34
(Surplus) / Deficit	133	(4)	(137)	800	1,072	272
PPP Contract Income and Adjustments	(133)	(133)	0	(800)	(800)	0
Net (Surplus) / Deficit	(0)	(137)	(137)	(0)	272	272
Actuarial (loss)/gain on pension liability	0	0	0	0	0	0
Total Income & Expenditure	(0)	(137)	(137)	(0)	272	272

The main 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 and summarises the following.

If we look at PAYT waste firstly, it has been more than 2 years since the Covid-19 pandemic began. As a result of more people returning back to work and resuming back to normality, residual PAYT loads have increased which in turn means costs have increased. Currently the forecast assumes the budgeted levels will continue for the year. This is on the basis that during the early months of the year, true waste patterns cannot easily be identified. We will be monitoring this and ensuring we are able to forecast trends more accurately.

Whilst residual tonnages are lower year to date by 6%, the costs are higher than budgeted due to costs being slightly higher than expected due to indexation. Also, in the months of April and May, more waste has gone to Lakeside direct delivered compared to budget, which has increased the costs.

Food and mixed organic waste spending combined were £9k less than budget reflecting the lower volumes of recyclable waste collected. The green waste spending was £42k lower than budget, reflecting seasonality. We should see this increase over the summer months.

There is an increase in depreciation as compared to the budget by £51k for the year due to the previous year end's property revaluations.

Secondly, in terms of FCL waste, there has been lower than budgeted HRRC volumes in turn leading to lower costs against budget. WTD costs were £243k lower than budget. Residual waste is the main component of HRRC waste costs. Once again, patterns, if any will become clearer over coming months.

There is a notional budget for the year in PPP Contract income for £800k principally driven by the market price of electricity. Given the 2021/22 prices and scale of Authority income, it is likely that the income will be more. Therefore over the coming months we will gather data and use different assumptions for future electricity prices to produce a range of forecasts to better understand the risks associated with them.

2. KPIs for 2022/23

Appendix 2 summarises the performance to the end of May.

Most indicators are on target (green) and the performance is reflected in the RAG rating and commentary. There is one red indicator on turnaround times which is a result of a combination of one off factors including a fire at a transfer station and a crane failure. There is one amber KPI on food waste. As reported previously, food waste tonnages should increase as the year goes on and projects progress and we will continue to monitor this indicator.

It is worth noting that from time to time the performance for a particular indicator may slip into amber or red, but the performance will be managed and actions undertaken to bring the indicator back to standard during the year. Additionally, given the cumulative nature of each individual indicator, an indicator is more likely to slip into amber or red in the early months.

3. Delegated decisions

To provide further transparency of operational arrangements, this standard section of the report summarises any significant financial decisions made since those reported to the last Authority meeting and not reported elsewhere in the agenda.

The Green Waste and Transport Contracts have been procured as detailed in the Contracts and Operations Report.

4. 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	2022-23 YTD Period 2				2022-23 Full Year Forecast			
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	Full year forecast is based on 2 months actual and 10 months budget
Waste - Residual	6,480	6,622	143	Collected waste volume is 6% less than budgeted, rates are slightly higher than budgeted due to indexation, and more waste has gone to Lakeside than budgeted.	38,877	39,036	159	
Waste - Food	65	57	(9)	YTD 5.2k tonnes of collected food waste	392	384	(9)	
Waste - Mixed Organic	0	0	0		0	0	0	
Waste - Green	311	269	(42)	Green waste savings against budget is expected to increase due to seasonality	1,866	1,824	(42)	
Waste - Other	126	90	(37)	Waste collected for Wood, Mattresses, Rubble	758	672	(86)	
Depreciation	1,399	1,450	51	Higher costs in line with revaluations.	8,396	8,700	304	Higher costs in line with revaluations.
Financing	188	188	0		1,129	1,129	0	
Premises	232	232	0		1,392	1,392	0	
Concession Accounting Adjustment	(640)	(640)	0		(3,838)	(3,838)	0	
Levy Income	(8,405)	(8,405)	0		(50,430)	(50,430)	0	
PAYT Net Expenditure	(243)	(137)	106		(1,458)	(1,132)	326	
Fixed Cost Levy	2022-23 YTD Period 2				2022-23 Full Year Forecast			
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	Full year forecast is based on 2 months actual and 10 months budget
Employees	441	420	(21)	Savings made on vacancies not filled in budgets.	2,648	2,627	(21)	
Premises	213	228	15		1,280	1,295	15	
Waste - Residual	939	787	(153)	Collected waste volume is 6% less than budgeted	5,637	5,484	(153)	
Waste - Green	46	8	(38)	Costs likely to increase and be in line with budget in line with seasonality.	278	240	(38)	
Waste - Wood	139	83	(56)	Tonnages lower than budgeted but expected to get back to budgeted levels.	835	779	(56)	
Waste - Other	152	138	(14)	Tonnages lower than budgeted but expected to get back to budgeted levels.	915	933	19	
Waste - MRF	358	310	(48)	Nets out with income below.	2,148	2,100	(48)	
Supplies and Services	200	207	8		1,198	1,206	8	
Depreciation	236	267	31	Higher costs in line with revaluations.	1,413	1,600	187	Higher costs in line with revaluations.
Financing	663	663	0		3,976	3,976	0	
Revenue Funding of Debt	160	160	0		962	962	0	
Concession Accounting Adjustment	(106)	(106)	0		(635)	(635)	0	
Trade Waste and Other Income	(355)	(369)	(14)		(2,128)	(2,142)	(14)	
MRF Income	(358)	(310)	48	Nets out with costs above.	(2,148)	(2,100)	48	
Levy Income	(2,354)	(2,354)	(0)		(14,122)	(14,122)	(0)	
Fixed Cost Levy Net Expenditure	376	133	(243)		2,258	2,204	(54)	
(Surplus) / Deficit	133	(4)	(137)		800	1,072	272	
PPP Contract Income and Adjustment	(133)	(133)	0	Notional budget figure.	(800)	(800)	0	
Total Income & Expenditure	0	(137)	(137)		0	272	272	

Appendix 2

Key Performance Indicators 22/23							Cumulative	
KPI	22/23 Target	Red Threshold	Description	Commentary about target	May-22	Commentary about performance		
Keep Waste Moving								
1	Diversion from Landfill %	95.00%	< 95% = Red	Percentage of residual waste collected in month sent to landfill (shows the tonnes of waste Suez have sent to landfill and the cumulative collected asbestos waste collected at Abbey Road).	Suez' contractual target is 3.9% max to landfill.	99.4%		
2	Turnaround times (% above 25 minutes) for borough vehicles	4.5%	> 5% = Red	Average vehicle turnaround times - taking waste to Transport Avenue, Victoria Road and Abbey Road. Total waste loads (cumulative) and over 25 mins	Contract turnaround time is 15 minutes but breach of contract is at 25 minutes and over.	12.6%	<ul style="list-style-type: none"> • Fire at TA • Crane out of use at VR • Lakeside unplanned outage (more waste to Suez sites during this period) • Some dropped trains Busiest time of the year.	
Increase Efficiency								
3	Overall £/tonne	£85.09	> £93.31 (i.e. +5%) = Red	Looks at total tonnes collected cumulatively and the total spend of waste transfer and disposal.	Reflects boroughs budgeted tonnages.	£94.81		
4	Overall £/person	£28.92	> £32.40 (i.e. +5%) = Red	Total spend of waste transfer and disposal divided by total population of 6 boroughs (provided from ONS website).	Reflects boroughs budgeted tonnages.	£29.53		
Divert From Waste								
5	All waste - monthly kg per person	28.34	> 30 kg = Red	Total cumulative waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages.	25.96		
6	Residual waste - monthly kg per person	20.88	> 22 kg = Red	Total cumulative residual waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. Food within residual should be reducing this figure.	19.93		
7	Food waste - monthly kg per person	1.91	< 1.64 kg = Red	Total cumulative food waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. The Food waste investment of £500k per borough should drive this up.	1.54	We are expecting the tonnages to increase as the year goes on.	
Effective Control								
8	People development	500.00	< 450 = Red	Total number of learning and development activities carried out in financial year (amongst total employees).	Includes monthly team meetings which has driven this to increase in FY23	22.00		
9	Staff turnover	15%	> 20% = Red	Cumulative leavers YTD against total budgeted staff.	Not a large staff number therefore can be skewed by minimal movement.	0.0%		
10	Sickness rate	2.0%	> 3% = Red	Cumulative sick days last year to date.	In 2020, published figures show that sickness absence rates in public sector stood at at 2.7%. Have left target at 2% after considering the wide gap between the size of our workforce and those of other public sector organisations.	2.0%		
11	Paying suppliers promptly	30	> 32 days = Red	Average number of days to pay suppliers in the month.	Statutory level	13.50		
12	Maintaining cash flow (Minimising trade debt)	8%	> 10% = Red	Debt at end of period (percentage of non levy income excluding borough debt).	Reflects debt at end of period.	0.0%		
13	RIDDOR incidents at Abbey Road	0	> 1 = Red		Average over 3 years is 0.33. Given the fact that we have not had any in the past 2 years, the target is 0.	0.00		
14	Average time taken to complete the entire hazard card process from start to finish	5	> 10 = Red	Time (days) taken from when hazard was raised through to comments from site manager and H&S advisor.	Time (days) taken from when hazard was raised through to comments from site manager and H&S advisor.	0.00		