|  |  |
| --- | --- |
| WEST LONDON WASTE AUTHORITY |  |
| Report of the Finance Director | 2 December 2022 |
| **Finance Update October 2022** |
| SUMMARYThis report provides an update on financial and operational matters. The key points are:* Day to day financial performance is broadly on track with lower than budgeted waste volumes accounting for the majority of the variance from operational activities.
* In other activities, the outcome includes an estimate of PPP contract income.
* Operational performance is shown in the KPIs and is largely on track with two key exception on turnaround times and food waste
* There were no 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.

From an operational “day to day" activities perspective, the overall performance for the period shows a favourable variance (i.e. underspend) of £655k compared to budget. The key variance is an underspend of £878k for Waste Transfer and Disposal costs which is largely from lower than budgeted HRRC volumes of residual waste. This is also reflected in the variance in levies which shows boroughs are paying less than was budgeted for their waste.

The forecast for the year is principally based on the current level of activity continuing throughout the year potentially delivering larger under spends. The continuing pattern of spending is very similar to previous periods and results in an estimated underspend of £935k for day to day activities.

Significantly, in other activities, PPP income for the year has been estimated at £9.4 million. The volatile electricity market and impact of any windfall tax create some uncertainty in this estimate and the value will only become clear in June 2023 when figures are finalised and paid over to the Authority. The 2023/24 Draft Budget report in today’s Authority agenda outlines how this will result in a payment to boroughs of approximately £1.0 million each in July 2023 and how the risks relating to the value of income described above will be managed.



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. Notable items of detail from Appendix 1 include:

The residual waste variances in both PAYT and FCL activities are made up of reduced costs from lower than budgeted residual tonnages being partly offset by higher prices due to higher than budgeted inflation. The total residual waste underspend for the year is forecast at £1,063k and accounts for the majority of the day to day activities variance.

Another favourable variance relates to higher than budgeted level of trade and other income. This is expected to out-perform the budget by £964k by the year end.

Partly offsetting the above, depreciation charges are higher (£660k) as a result of the 2021/22 year end property valuations (an accounting requirement) which showed an increase in the value of assets.

Outside of day to day activities the forecast for the year for the improvements to HRRC’s anticipates investments will be made by the year end by borough colleagues.

The PPP income forecast of £9,450k is the final most significant variance. The forecast is based on market electricity prices continuing at the present high rates and allowing for a 25% windfall tax. Electricity prices are volatile and the impact of any windfall tax unclear, so the level of income is subject to a high degree of uncertainty. The sum due will only become clear when finalised by the contractor in June 2023, when monies will be received by the Authority.

Note that when funds are received, they will be shared with boroughs in accordance with the Finance Strategy, so two thirds will pass through to boroughs. The payment is budgeted in the 2023/24 draft budget report, elsewhere on today’s Authority agenda.

1. **KPIs for 2022/23**

Appendix 2 summarises the performance to the end this period.

Most indicators are on target (green) and the performance is reflected in the RAG rating and commentary. There are two red indicators.

Turnaround times are slower than target and are a result of a combination of factors including a crane failure, rail strikes and diversion of waste to manage planned maintenance at SERC.

Food waste per person is also below target. Six borough food projects were expected to be in operation, however three have been slow in commencing and in overall terms not enough residents are using the food waste services that are there. This coupled with the potential impact of the cost of living crises reducing the amount of food waste produced by people means that it is unlikely the performance will recover this year.

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.

1. **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.

There were none

|  |  |
| --- | --- |
| Contact Officers | Jay Patel, Finance Director 01895 54 55 10jaypatel@westlondonwaste.gov.ukIan O’Donnell, Treasurer ianodonnell@westlondonwaste.gov.uk Emma Beal, Managing Director emmabeal@westlondonwaste.gov.uk Adesh Swain, Finance Manageradeshswain@westlondonwaste.gov.uk |

**Appendix 1** 

**Appendix 2**

****