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| WEST LONDON WASTE AUTHORITY |  |
| Report of the Finance Director | 20 January 2023 |
| **Finance Update**  |
| 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 forecast annual position includes an estimate of PPP contract income and two thirds disbursement to boroughs.
* Operational performance is shown in the KPIs and is largely on track with two key exceptions on turnaround times and food waste
* There were no delegated decisions
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| **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
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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 £786k compared to budget. The key variance is an underspend of £862k for Waste Transfer and Disposal costs which is largely from lower than budgeted volumes of residual waste. This is also reflected in the variance in levies which shows boroughs are paying £632k 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 £955k 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. At that time two thirds will be passed on to boroughs in accordance with the Finance Strategy and as outlined in the 2023/24 Draft Budget.



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 £1,288k and accounts for the majority of the day to day activities variance. This is the main driver of the reduced PAYT levies payable by boroughs of £948k.

Another favourable variance relates to higher than budgeted level of trade and other income. This is expected to out-perform the budget by £1,071k by the year end with a key driver being the closure of a local commercial competitor’s site.

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.

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 will continue to be lower than target and are a result of a combination of factors. In particular the impact of ongoing rail strikes, but also including a short term impact of a crane failure and diversion of waste to manage planned maintenance at SERC in the summer.

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.

Also worth noting is the people development indicator which has been flagged as amber. The indicator shows an improvement in performance on 2021/22 however it is unlikely to meet the target set for 2022/23. An exercise is currently in progress to ensure all the data has been gathered and included in the performance statistic.

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 was one delegated decision as detailed in the Part 2 paper later in today’s agenda.

1. **Financial implications / risk**

The financial implications are as detailed in the report. For financial risks, if they materialise they will be reflected in an overspend or shortfall of income and ultimately an overall deficit. These key risks (i.e. the deficit) are managed through reserves as established in our Finance Strategy. Essentially the reserves are an amount is set aside to deal with the risks should they materialise.

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**Appendix 1**

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**Appendix 2**

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