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| WEST LONDON WASTE AUTHORITY |  |
| Report of the Treasurer and Managing Director | 23 June 2023 |
| **Finance Update May 2023** | |
| SUMMARY This report provides an update on financial and operational matters | |
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| **RECOMMENDATION(S)**  The Authority is asked to:-   1. Note the current financial position and forecast for 2023/24 2. Approve the 2023/24 KPIs 3. Note the KPIs to date | |

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 and shows the budget, the spend and variance.

The budget monitoring report for this year also separates out the three program budgets approved by the Authority which are being funded by the PPP contract income (i.e. the Social Value and Reuse, Communications and Digital Twin programmes).

Note that the balance remaining from the 2022/23 HRRC fund of £953k has been rolled forward in reserves for boroughs to continue to utilise and undertake their HRRC improvement work.



The overall performance for period 2 shows a deficit of £1.6m compared to budget, and a full year forecast deficit of £2.6m.

The main factor contributing to the variance relates to one-off costs arising from the planned SERC closure for its 7 yearly major maintenance in April. Our PPP contract allows the contractor to treat the waste elsewhere whilst this maintenance takes place and the Authority bears the cost of this at the landfill tax rate – even though the waste is not landfilled. The impact is a £1.6m overspend for the period. This is partly offset (£0.2m) by lower residual waste volumes and costs during the period.

Taking a cautious approach the remaining 10 months of waste is forecast at budgeted levels. However, continuing lower residual waste volumes would see a £1.0m improvement in the years forecast variance. A further £0.7m improvement to the position is also likely from closing out an outstanding contractual variation – the sums have been agreed and the variation agreement is in the final legal stages.

The overspend on premises is another key variance and reflects the increase in business rates. The actual increase in business rates ranges from 17% to 32% across our sites and is far greater than budgeted (ranging up to 8%). Initial discussions with external consultants to determine if the large increases can be challenged with the Valuation Office, indicate this may be hard to achieve as valuations have increased nationwide.

In terms of the forecast for the year, we are just two months into the new financial year and with limited data, we have simply projected spend for the remaining 10 months at budgeted levels. In particular at this stage it is not prudent to assume lower waste flows will continue (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 previous financial years, the financial effects of the dry mixed recycling (DMR) contract for Ealing. This is cost neutral for the Authority but creates further variances in the WTD costs and Trade/Other Income. We have also included the Brent DMR contract which commenced in 2023/24 – this was not budgeted as we did not know at the time Brent would like this service. However, as per the Ealing contract this is also cost neutral for the Authority.

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.

1. **Proposed KPIs for 2023/24**

Appendix 2 shows the KPI targets proposed for 2023/24, as well as the current position as at end of May. More commentary on the KPI performance is provided in section 3. The proposed suite of KPIs will allow the Authority to have oversight of and manage operational performance, one of the corporate governance requirements.

Following a review of the current KPIs there are no significant changes and targets have simply been made more challenging or realistic in line with budget and trends in performance. The current KPI suite is extensive and allows Members, Chief Officers and the Senior Leadership Team to analyse performance and flag any issues that could or have arisen.

We have also included some graphs which show year on year trends of KPIs in the “Divert from Waste” and “Increase Efficiency” sections. A variety of other indicators and information will continue to be reported for specific purposes in separate reports and forums. This will continually evolve.

1. **KPIs for 2023/24**

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.

The food waste KPI is on red due to the KPI being lower than target but this is being monitored and engagement with boroughs in ongoing. Sickness rate is also on a red RAG rating due to an employee being on long term sickness – even one employee can skew the performance in an organisation with only a small number of employees.

The one amber KPI is expected to become green as learning and development activities traditionally occur in the latter part of the year, indeed training courses are planned for later in the year which will improve this KPI.

Note that whilst cost per tonne is increasing over the years, if we take inflation in to account, we are performing very well. Inflation since 2016/17 has increased by 39.42% but our cost per tonne has increased by significantly less at 11.86%. This demonstrates that the Authority is managing its costs extremely well whilst providing a high level of service and effective operations.

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 have been none.

1. **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**

**Appendix 2**

