

Finance Update May 2023

SUMMARY

This report provides an update on financial and operational matters

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.

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	436	413	(23)	2,616	2,640	23
Premises	433	583	149	2,601	3,465	865
Waste Transfer and Disposal	8,589	10,074	1,485	51,531	53,316	1,785
MRF Waste Transfer and Disposal	376	735	359	2,256	2,615	359
Supplies and Services	198	185	(13)	1,190	1,177	(13)
Depreciation	1,729	1,729	0	10,375	10,375	0
Financing and Other	992	1,002	10	5,955	5,965	10
Concession Adjustment	(762)	(762)	0	(4,570)	(4,570)	0
	11,992	13,959	1,967	71,954	74,982	3,029
Income						
Levies	(11,186)	(11,186)	0	(67,116)	(67,116)	0
MRF Service Charge	(376)	(735)	(359)	(2,256)	(2,615)	(359)
Trade and Other	(430)	(430)	0	(2,582)	(2,582)	0
	(11,992)	(12,351)	(359)	(71,954)	(72,312)	(359)
(Surplus) / Deficit	(0)	1,608	1,608	(0)	2,670	2,670
PPP Contract Income	0	0	0	0	0	0
Disbursement to boroughs	0	0	0	0	0	0
Net (Surplus) / Deficit	(0)	1,608	1,608	(0)	2,670	2,670
HRRC Reserve Fund	0	55	55	0	935	935
Actuarial (loss)/gain on pension liability	0	0	0	0	0	0
Total Income & Expenditure after Reserve Movement	(0)	1,664	1,664	(0)	3,605	3,605
Programme of work funded by PPP income						
Depreciation	18	18	0	107	107	0
Premises	8	8	0	45	45	0
Employees	51	40	(11)	308	297	(11)
Supplies and Services	110	110	0	660	660	0
Programme costs funded by PPP income	(187)	(187)	0	(1,120)	(1,120)	0
Programmes Total	0	(11)	(11)	0	(11)	(11)

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.

2. 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.

3. 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 is 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.

4. 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.

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	2023-24 YTD Period 2			2023 Full Year Forecast				
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Waste - Residual	6,897	7,432	535	Closure of SERC plant for 7 year maintenance resulting in higher costs for the treatment of waste coupled with higher inflation costs.	41,382	42,117	735	Forecasts based on YTD current level of activity.
Waste - Food	63	61	(2)	YTD tonnage volume collected is 123 tonnes lower compared to last year (2% variance).	379	377	(2)	Forecasts based on YTD current level of activity.
Waste - Mixed Organic	0	0	0		0	0	0	
Waste - Green	276	405	129	Higher tonnages collected (51% compared to budget) and 2.5k tonnes higher volume collected compared to last year YTD.	1,657	1,785	129	Forecasts based on YTD current level of activity.
Waste - Other	95	53	(42)		569	527	(42)	
Depreciation	1,469	1,469	0		8,814	8,814	0	
Financing	754	754	0		4,521	4,521	0	
Premises	213	328	115	Business rates increase for FY 23/24 across organisation.	1,276	1,966	690	Forecasts based on YTD current level of activity.
Concession Accounting Adjustment	0	0	0		0	0	0	
Levy Income	(8,848)	(8,848)	0		(53,086)	(53,086)	0	
PAYT Net Expenditure	919	1,654	735		5,511	7,021	1,510	
Fixed Cost Levy								
	2023-24 YTD Period 2			2023-24 Full Year Forecast				
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Employees	436	413	(23)	Vacant posts compared to budget - HR Coordinator, Net Zero Planner, Ops Manager	2,616	2,640	23	Allows for budgeted roles to be filled in, but also in line with the HR Paper, includes the costs of outsourcing HR services for 6 months.
Premises	221	255	34	Business rates increase for FY 23/24 across organisation.	1,325	1,499	175	Forecasts based on YTD current level of activity.
Waste - Residual	840	1,685	845	Closure of SERC plant for 7 year maintenance resulting in higher costs for the treatment of waste coupled with higher inflation costs.	5,039	5,984	945	Forecasts based on YTD current level of activity.
Waste - Green	46	55	9	Higher tonnages collected (21% compared to budget) and 0.7k tonnes higher volume collected compared to last year YTD.	279	287	9	
Waste - Wood	190	166	(24)		1,138	1,114	(24)	Forecasts based on YTD current level of activity.
Waste - Other	182	217	35		1,090	1,125	35	
Waste - MRF Ealing	376	377	1		2,256	2,257	1	
Waste - MRF Brent	0	357	357	Nets out with income below.	0	357	357	
Supplies and Services	198	185	(13)		1,190	1,177	(13)	
Depreciation	260	260	0		1,561	1,561	0	
Financing	75	85	10		450	460	10	
Revenue Funding of Debt	164	164	0		984	984	0	
Concession Accounting Adjustment	(762)	(762)	0		(4,570)	(4,570)	0	
Trade Waste and Other Income	(430)	(430)	0		(2,582)	(2,582)	0	
MRF Income Ealing	(376)	(377)	(1)		(2,256)	(2,257)	(1)	
MRF Income Brent	0	(357)	(357)	Nets out with costs above.	0	(357)	(357)	
Levy Income	(2,338)	(2,338)	0		(14,029)	(14,029)	0	
Fixed Cost Levy Net Expenditure	(919)	(45)	873		(5,511)	(4,351)	1,160	
(Surplus) / Deficit	(0)	1,608	1,608		(0)	2,670	2,670	
PPP Contract Income	0	0	0		0	0	0	
Disbursement to boroughs	0	0	0		0	0	0	
Total Income & Expenditure	(0)	1,608	1,608		(0)	2,670	2,670	
Social Value & Reuse	77	58	(19)		463	444	(19)	Forecasts based on YTD current level of activity.
Digital Twin	83	91	8		497	505	8	Forecasts based on YTD current level of activity.
Communications	27	27	0		160	160	0	
Programme costs funded by PPP inco	(187)	(187)	0		(1,120)	(1,120)	0	
Programs total	0	(11)	(11)		0	(11)	(11)	

Appendix 2

Key Performance Indicators 23/24							Cumulative	
KPI	23/24 Target	Red Threshold	22/23 Actual	Description	Commentary about target	May-23	Commentary about performance	
Keep Waste Moving								
1	Diversion from Landfill %	95.00%	< 95% = Red	99.89%	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.	99.3%	
2	Turnaround times (% above 25 minutes) for borough vehicles	4.5%	>7.5% = Red	6.8%	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. FY23 saw an increase due to crane issues at Victoria Road and rail strikes, but expecting to see an improvement to proir years in FY24.	2.8%	
Increase Efficiency								
3	Overall £/tonne	£93.47	> £98.15 (i.e. +5%) = Red	£92.07	Looks at total tonnes collected cumulatively and the total spend of waste transfer and disposal.	Reflects boroughs budgeted tonnages.	£97.82	
4	Overall £/person	£29.32	> £31.84 (i.e. +5%) = Red	£26.72	Total spend of waste transfer and disposal divided by total population of 6 boroughs (provided from ONS website).	Reflects boroughs budgeted tonnages.	£26.97	
Divert From Waste								
5	All waste - monthly kg per person	26.14	> 28 kg = Red	24.18	Total cumulative waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages.	22.98	
6	Residual waste - monthly kg per person	19.61	> 21 kg = Red	19.73	Total cumulative residual waste collected divided by population (taken from ONS website).	Reflects boroughs budgeted tonnages. Food within residual should be reducing this figure.	18.03	
7	Food waste - monthly kg per person	1.55	< 1.64 kg = Red	1.58	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.	1.19	
Effective Control								
8	People development	500.00	< 450 = Red	515.00	Total number of learning and development activities carried out in financial year (amongst total employees).	Includes monthly team meetings.	57.00	Forecast rate predicts lower than target.
9	Staff turnover	15%	> 20% = Red	15%	Cumulative leavers YTD against total budgeted staff.	Not a large staff number therefore can be skewed by minimal movement. Counts employees who leave WLWA after their first probabtion review at 10 weeks of employment.	7.0%	3 leavers in the month meaning KPI is higher than usual.
10	Sickness rate	2.0%	> 3% = Red	2.4%	Cumulative sick days lost year to date.	In 2020, published figures show that sickness absence rates in public sector stood at at 2.7%. This has increased to 4.4% in 2022. Have left target at 2% after considering the wide gap between the size of our workforce and those of other public sector	4.3%	Increased in sickness days but this is under review.
11	Paying suppliers promptly	30	> 30 days = Red	27	Average number of days to pay suppliers in the month.	Statutory level	23.0	
12	Maintaining cash flow (Minimising trade)	8%	> 10% = Red	0%	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	0		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 in days to complete the entire hazard card process from start to finish	5	> 10 days = Red	0	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.	5.67	



