

**Finance Update November 2023**

**SUMMARY**

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

- Day to day financial performance for YTD is showing a deficit largely due to 3 factors
  - Contracted rates for waste disposal are higher than budgeted
  - Business rates are significantly higher than budgeted
  - SERC insurance being included within Supplies and Services
- Continuing to track return on investments on funded programmes. Spend has not met expectations but direct borough savings continue to be achieved. We are continuing to seek to do more collaborative working with Boroughs to achieve our year end targets.
- The forecast annual position includes an estimate of PPP contract income as per the FY24/25 budget and two thirds disbursement to boroughs.
- Operational performance is shown in the KPIs. Two KPIs are in amber (not on target but high likelihood of turning green before end of financial year) and three are in red (not on target and low likelihood of turning green before end of financial year).
- There were no delegated decisions to note.

**RECOMMENDATION(S)**

The Authority is asked to:-

- 1) Note the current financial position and forecast for 2023/24
- 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.

## High Level Summary

	P8 Budget £ 000s	P8 Actual £ 000s	P8 Variance £ 000s	Full Year Budget £ 000s	Full Year Forecast £ 000s	Full Year Variance £ 000s
<b>Expenditure</b>						
Employees	1,744	1,960	216	2,616	2,878	261
Premises	1,734	2,326	592	2,601	3,499	898
Waste Transfer and Disposal	34,354	34,793	439	51,531	51,989	458
MRF Waste Transfer and Disposal	1,504	2,769	1,265	2,256	3,521	1,265
Supplies and Services	793	1,118	325	1,190	2,019	830
Depreciation	6,916	6,916	0	10,375	10,375	0
Financing and Other	3,970	3,970	0	5,955	5,955	0
Concession Adjustment	(3,047)	(3,047)	0	(4,570)	(4,570)	0
	<b>47,969</b>	<b>50,806</b>	<b>2,837</b>	<b>71,954</b>	<b>75,665</b>	<b>3,711</b>
<b>Income</b>						
Levies	(44,744)	(45,148)	(404)	(67,116)	(67,520)	(404)
MRF Service Charge	(1,504)	(2,769)	(1,265)	(2,256)	(3,521)	(1,265)
Trade and Other	(1,721)	(2,542)	(821)	(2,582)	(3,445)	(863)
	<b>(47,969)</b>	<b>(50,459)</b>	<b>(2,490)</b>	<b>(71,954)</b>	<b>(74,486)</b>	<b>(2,533)</b>
<b>(Surplus) / Deficit</b>	<b>(0)</b>	<b>347</b>	<b>347</b>	<b>(0)</b>	<b>1,179</b>	<b>1,179</b>
PPP Contract Income	0	0	0	0	(6,300)	(6,300)
Disbursement to boroughs	0	0	0	0	4,200	4,200
<b>Net (Surplus) / Deficit</b>	<b>(0)</b>	<b>347</b>	<b>347</b>	<b>(0)</b>	<b>(921)</b>	<b>(921)</b>
HRRC Fund	0	126	126	0	126	126
Actuarial (loss)/gain on pension liability	0	0	0	0	0	0
<b>Total Income &amp; Expenditure after Reserve Movement</b>	<b>(0)</b>	<b>473</b>	<b>473</b>	<b>(0)</b>	<b>(795)</b>	<b>(795)</b>
<b>Programme of work funded by PPP income</b>						
Depreciation	71	71	0	107	107	0
Premises	30	26	(4)	45	41	(4)
Employees	205	166	(40)	308	272	(36)
Supplies and Services	440	383	(57)	660	585	(75)
Programme costs funded by PPP income	(747)	(747)	0	(1,120)	(1,120)	0
<b>Programmes Total</b>	<b>0</b>	<b>(100)</b>	<b>(100)</b>	<b>0</b>	<b>(115)</b>	<b>(115)</b>
Disbursement to boroughs in Jul (relates to 22/23)	0	3,301	3,301	0	3,301	3,301

From a year to date operational activities perspective, the overall performance for the period shows a total overspend of £0.3 million compared to budget. This is made up of overspend on expenditure of £2.8 million and an increase in income of £2.5 million.

The overspend on expenditure is largely due to higher Waste Transfer and Disposal costs reflective of increased prices compared to budget, in particular Lakeside's rate which has come in at £5/tonne higher than budget. Business rates within Premises costs are significantly higher than budget, with the forecast at year end expected to be £0.90 million higher than budget. Also a forecast of £0.8 million has been included under Supplies and Services for the insurance of the SERC and Transfer Stations. This was a spend that had not been budgeted, but has increased substantially since 2016 and needs to be realised within the financial performance. Within Employee costs, there is a cost of £137k which relates to pension strain costs paid to LPFA.

It is also worth noting that the MRF Waste Transfer and Disposal costs are overspent by £1.3 million. This is due to the inclusion of Brent's contract which was not budgeted. However, this cost is a nil

effect to the authority as these costs are directly recovered back from the boroughs. Higher Trade and Other Income (recognising £0.8 million more than budget) has contributed to reduce the overall deficit to a surplus.

Significantly, in other activities, PPP income for the year has been forecasted at £6.3 million. The volatile electricity market and impact of any windfall tax create some uncertainty in this estimate and the value will only become clear after year end when figures are finalised and paid over to the Authority thereafter. At that time two thirds will be passed on to boroughs in accordance with the Finance Strategy and as outlined in the 2024/25 Budget.

Included within the budget monitoring, is also a disbursement of excess reserves from the previous financial year of £3.3m which was presented in June as part of the 2022/23 draft outturn report. To note, the excess revenue share from the PPP contract which relates to 2022/23 has now been received (£19.1m). Two thirds of this has been paid to the boroughs in disbursements in July. The budget for FY24/25 is forecasting we shall receive £6.3 million of PPP income, of which two thirds (£4.2 million) will be disbursed back to the boroughs as per the Finance Strategy.

Taking into account the overspend on budget within business rates of £0.8m, Lakeside contractual rate of £0.4m, SERC and Transfer Stations insurance of £0.8m and the pension strain costs of £0.1m, the total deficit would be £2.1m. However, the Authority has put controls into place to bring spend down where possible, bringing the forecast total deficit to £1.2m. These controls have reduced spend where possible but not detrimental to the service the Authority provides. The deficit of £1.2m will be managed via reserves which the Authority sets aside to manage risks of costs coming in higher than anticipated.

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:

Looking at the PAYT waste forecast, the overall residual waste variance of £0.1 million is made up of slightly higher than budgeted tonnages coupled with higher than budgeted contractor prices (due to inflation). The higher waste volumes are also reflected in the PAYT levy variance (£0.4 million) which shows actual rebates paid from boroughs to WLWA for higher than budgeted tonnages.

Secondly, in terms of FCL waste, there has been higher than budgeted HRRC volumes in particular mattresses, leading to higher waste transport and disposal forecast costs against budget totalling £0.5 million.

The Authority's level of trade and other income is healthy and forecast to out-perform the budget by over £0.8 million.

The forecast for the year for the improvements to borough HRRC's anticipates investments will be made by the year end.

## **2. KPIs for 2023/24**

Appendix 2 summarises the performance to the end of November, in both a summary table, and significant KPIs being shown graphically with a year on year trend.

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

There are two KPIs in amber. Turnaround times have been impacted by fires at both transfer stations, and crane issues at Victoria Road. Overall £/tonne is impacted by inflationary pressures on contractor fees.

People development is on red due to year to date target of 333 not being met. Training and people development has been impacted by leavers within the Authority, but is now increasing. However it is unlikely the target of 450 for the full year will be met.

Lower volumes of food waste tonnages have been collected compared to budget making this KPI red. Staff turnover is red due to nine leavers' year to date. Recruitment has been difficult in the current market, but this is being worked on.

The graphs in Appendix 2 visualise the performance of the Authority, and show year on year trends. The graphs demonstrate that waste has been reducing over the years.

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.

There have been none to note.

### 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 JMWMS.

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# Appendix 1

Pay As You Throw	24 YTD	Period 8		2023-24	Full Year	Forecast		
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Waste - Residual	27,588	27,669	82	Cost of more residual waste going to Lakeside, offset by £1.5m back dated landfill reconciliation credit received for the years 2018-2022.	41,382	41,481	100	Forecast based on tonnages remaining close to budget coupled with higher than budgeted contractor costs.
Waste - Food	252	249	(3)	3% lower tonnages collected than the same period last year.	379	374	(5)	Forecasts based on YTD current level of activity.
Waste - Mixed Organic	0	0	0		0	0	0	
Waste - Green	1,105	1,449	345	13% higher tonnages collected compared to the same period from last year.	1,657	1,822	166	Forecasts based on YTD current level of activity with a drop in colder season.
Waste - Other	379	190	(190)		569	285	(285)	
Depreciation	5,876	5,876	0		8,814	8,814	0	
Financing	3,014	3,014	0		4,521	4,521	0	
Premises	851	1,311	460	Business rates increased due to national valuations - meaning higher than budget by over £850k.	1,276	1,966	690	Forecasts based on YTD current level of activity.
Concession Accounting Adjustment	0	0	0		0	0	0	
Levy Income	(35,391)	(35,795)	(404)		(53,086)	(53,490)	(404)	
<b>PAYT Net Expenditure</b>	<b>3,674</b>	<b>3,963</b>	<b>289</b>		<b>5,511</b>	<b>5,773</b>	<b>262</b>	
<b>Fixed Cost Levy</b>								
	<b>24 YTD Period 8</b>			<b>2023-24 Full Year Forecast</b>				
	Budget	Actual	Variance	Commentary	Budget	Estimate	Variance	Commentary
	£ 000s	£ 000s	£ 000s		£ 000s	£ 000s	£ 000s	
Employees	1,744	1,960	216	Payment to leavers and agency staff/honariums to cover some gaps in services.	2,616	2,878	262	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	883	1,015	132	Business rates increased due to national valuations - meaning higher than budget by over £850k.	1,325	1,532	208	Forecasts based on YTD current level of activity.
Waste - Residual	3,359	3,263	(96)	Cost of more residual waste going to Lakeside, offset by £1.5m back dated landfill reconciliation credit received for the years 2018-2022. Should decrease as less waste sent to Lakeside.	5,039	5,077	38	Forecast based on tonnages continue to remain high throughout the year.
Waste - Green	186	270	84		279	306	28	Forecasts based on YTD current level of activity with a drop in colder season.
Waste - Wood	759	653	(105)		1,138	980	(158)	Forecasts based on YTD current level of activity.
Waste - Other	727	1,049	322	Higher volume of Mattresses collected.	1,090	1,664	574	Forecasts based on YTD current level of activity.
Waste - MRF Ealing	1,504	1,514	10		2,256	2,266	10	
Waste - MRF Brent	0	1,255	1,255	Nets out with income below.	0	1,255	1,255	
Supplies and Services	793	1,118	325		1,190	2,019	830	Insurance cost for SERC £0.8m.
Depreciation	1,041	1,041	0		1,561	1,561	0	
Financing	300	300	0		450	450	0	
Revenue Funding of Debt	656	656	0		984	984	0	
Concession Accounting Adjustment	(3,047)	(3,047)	0		(4,570)	(4,570)	0	
Trade Waste and Other Income	(1,721)	(2,542)	(821)		(2,582)	(3,445)	(863)	
MRF Income Ealing	(1,504)	(1,514)	(10)		(2,256)	(2,266)	(10)	
MRF Income Brent	0	(1,255)	(1,255)	Nets out with costs above.	0	(1,255)	(1,255)	
Levy Income	(9,353)	(9,353)	0		(14,029)	(14,029)	0	
<b>Fixed Cost Levy Net Expenditure</b>	<b>(3,674)</b>	<b>(3,617)</b>	<b>58</b>		<b>(5,511)</b>	<b>(4,594)</b>	<b>917</b>	
<b>(Surplus) / Deficit</b>	<b>(0)</b>	<b>347</b>	<b>347</b>		<b>(0)</b>	<b>1,179</b>	<b>1,179</b>	
Social Value & Reuse	308	236	(72)		463	376	(87)	Forecasts based on YTD current level of activity.
Digital Twin	332	361	30		497	545	47	Forecasts based on YTD current level of activity.
Communications	107	50	(57)		160	85	(75)	
Programme costs funded by PPP inco	(747)	(747)	0		(1,120)	(1,120)	0	
<b>Programs total</b>	<b>0</b>	<b>(100)</b>	<b>(100)</b>		<b>0</b>	<b>(115)</b>	<b>(115)</b>	
PPP Contract Income	0	0	0		0	(6,300)	(6,300)	PPP income in relation to FY23/24 - to be paid after year end
PPP Contract Income disbursed	0	0	0		0	4,200	4,200	Two thirds of income to be disbursed to boroughs in line with Finance Strategy
Reserves disbursed FY22/23	0	3,301	3,301		0	3,301	3,301	Disbursed in FY23/24
HRRC fund	0	126	126		0	126	126	
<b>Total Income &amp; Expenditure</b>	<b>(0)</b>	<b>3,673</b>	<b>3,673</b>		<b>(0)</b>	<b>2,390</b>	<b>2,390</b>	

## Appendix 2

Key Performance Indicators 23/24								
KPI	23/24 Target	Red Threshold	22/23 Actual	Description	Commentary about target	Cumulative		
						Nov-23	Commentary about performance	
<b>Keep Waste Moving</b>								
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.	99.8%	
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 prior years in FY24.	7.1%	Fires at both major transfer stations had knock-on effects on tipping times. Repeated break-downs of the bunker cranes at Victoria Rd (due for replacement in April) also increased tipping times. The contractor has made site layout changes which has quickened tipping times since November.
<b>Increase Efficiency</b>								
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.	£94.95	Inflationary pressure has seen overall £/tonne increase against target but this is unlikely to go in to red.
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.	£28.69	
<b>Divert From Waste</b>								
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.	25.18	
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.	19.38	
7	Food waste - monthly kg per person	1.64	< 1.55 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.	1.48	Lower volumes of food waste collection than budget.
<b>Effective Control</b>								
8	People development	333.33	< 262.50 = Red	515.00	Total number of learning and development activities carried out in financial year (amongst total employees). Target is a YTD figure for accuracy.	Includes monthly team meetings.	143.50	Training target for full year is 450. Current levels are low due to leavers, however, new starters joining are picking up on training, and team training days for whole Authority are contributing to the number increasing. However, the target of 450 will not be achieved hence the KPI being red.
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 probation review at 10 weeks of employment.	21.1%	Total of 9 leavers for YTD (3 in May, 2 in Sep, 3 in Oct, 1 in Nov).
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 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	1.9%	Sickness rates are back down and as a green KPI after the first half of the financial year saw this KPI in red or amber.
11	Paying suppliers promptly	30	> 30 days = Red	27	Average number of days to pay suppliers in the month.	Statutory level	24.1	
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.	1.25	



