

Somerset Waste Board meeting
29 March 2019
Report for information

Paper
Item No.

Financial Performance Update 2018/2019

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Forward Plan Reference:	
Summary:	The report sets out the financial performance against the approved Annual Budget for the first 10 months of the current financial year from April to the end of January.
Recommendations:	That the Somerset Waste Board notes the summary financial performance to date as contained in this report.
Reasons for recommendations:	The Board needs to be aware of the financial performance of the Somerset Waste Partnership as it delivers the approved Business Plan and delegated waste service functions, to ensure that it is being managed appropriately.
Links to Priorities and Impact on Annual Business Plan:	The Annual Budget is entirely linked to the Annual Business Plan and sets out the financial resources required to deliver the Plan and the waste collection and disposal services that have been delegated to the Somerset Waste Board. Financial monitoring will show how the Partnership is managing its resources as it delivers the Annual Business Plan.
Financial, Legal and HR Implications:	Any in-year underspends attributable to partners against the Annual Budget are traditionally made available for return or for reinvestment. Conversely, failure to stay within the Annual Budget for the Somerset Waste Partnership will directly impact on the partner authorities, who would be required to make good any shortfall at year end. There are no legal or HR implications.
Equalities Implications:	None.
Risk Assessment:	Members will be aware from previous reports and presentations that the waste budget and actual costs, particularly disposal volumes, remain highly volatile.

1. Background

- 1.1. The Annual Budget for 2018/2019 was originally set at the Board meeting of 23rd February 2018 at £45,145,256.

Subsequently, the Board has agreed a number of in-year budget reductions and a drawdown from earmarked reserves on the disposal budget at the September meeting. In addition, the Board agreed the extension to the Viridor contract at the November 2018 meeting, which brings a saving from 2018/2019 onwards. Following these decisions, the 2018/2019 the Waste Board budget now stands at £44,445,260.

Partners contribute to the overall costs in accordance with our Cost Sharing Agreement. Individual contributions are based on key cost drivers such as household numbers, sparsity and garden waste customer numbers. As the waste disposal authority, all such costs fall to the County Council.

- 1.2. Our Annual Budget is predominantly spent on making payments to our main contractors – Viridor and Kier.

2. Current Financial Position

- 2.1. The table below shows the variations from budget on all our major expenditure areas. **For the avoidance of doubt in the table above, negative figures shown in brackets are underspent budgets. Figures not in brackets are overspent budgets.** (A zero figure indicates that the line is on budget, or that it is not a budgetary responsibility of that partner. Figures are rounded to the nearest £000).

Summary of budget variances

	SCC £'000	MDC £'000	SDC £'000	SSDC £'000	TDBC £'000	WSC £'000	Total £'000
Head Office	(54)	(2)	(2)	(3)	(2)	(1)	(63)
Disposal Costs	(963)	0	0	0	0	0	(963)
Collection - Recycling	0	0	0	0	0	0	0
Collection - Refuse	0	0	(0)	(0)	0	(0)	(0)
Collection - Garden	0	35	4	75	21	15	150
Collection Costs	0	3	2	4	3	1	14
Recycling Credits	(59)	13	11	19	10	5	(0)
Container Purchase & Delivery	0	(15)	(3)	(3)	(9)	(2)	(32)
Other	(0)	(5)	(16)	(20)	(5)	(2)	(48)
	(1,075)	30	(4)	72	19	17	(942)

Overall, the end of January position shows the Somerset Waste Partnership budget is forecast to be **underspent by £942,000** (2.12% of the current budget). By way of comparison, the overall underspend forecast was £984,000 (2.21% of the current budget) when previously reported to the December Board.

2.2. Waste Collection

The waste collection budgets have moved from a £65,000 overspend position to a £134,000 overspend, a movement of £69,000.

Head office costs have increased by £24,000 from the figures reported to the February Board. As part of the head office restructure it was always envisaged there would be some redundancy costs in line with the Business Case agreed by SMG. There are however some ongoing savings in reduced staff costs and a reduction in general office expenditure. This is a one year additional pressure and partners will benefit from reduced staff costs from 2019/20 onwards.

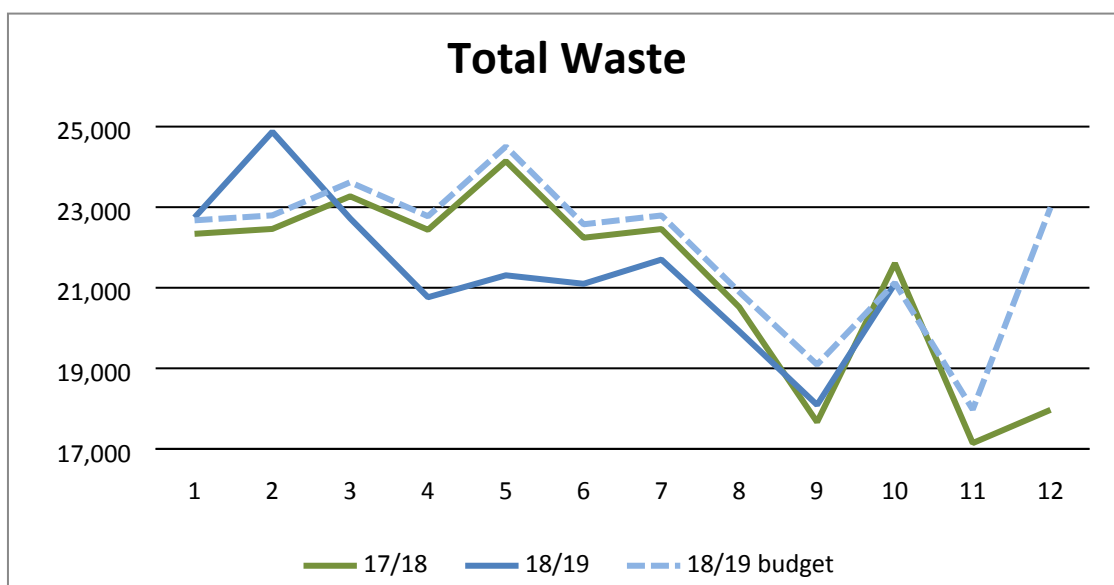
Forecasts for recycling credit income has reduced by £24,000 based on the most recent tonnage information available (December 2018).

There have also been small increases in expenditure in container purchase and delivery costs as well as bulky waste collections.

As previously reported much of this overspend is offset by garden waste recycling income raised locally by Districts.

2.3. Waste Disposal

The waste disposal figure for the Board at the end of January showed an underspend of £1.075m, which is an improvement on the last budget report to the Board (£1.049m). Members will recall that the trends in the waste disposal budget have been downwards for the current financial year, although some of the savings are one-off caused by year end estimating and the severe weather in March 2018. The graph below shows that actual waste volumes have been closer to the budgeted figures in the latest quarter.



The current trend is a 2.2% reduction in tonnages overall from 2017/2018.

2.4 Recycle More project funding

The figures reported above do not include any drawdown of the earmarked

reserve for Recycle More. Available funds at the start of 2018/2019 stood at £616,106, (including the County Council funding, but excluding the increase from the lease budget approved at the February Board). It has been agreed by the Board that we keep this funding separate from the continuation budget, and report on it separately. Section 151 officers have wanted clarity between the on-going budget requirement and the one-off project funding.

Up to the end of January, only £182,172 of this earmarked reserve has been spent, although further costs will be incurred with the on-going support for Eunomia (our technical consultants) and specialised external legal support. Additional support has come from procurement, legal, finance and technical staff at the Administering Authority and within Somerset Waste Partnership, which is why these costs have been kept so low.

Post contract award there will be mobilisation and roll out costs for the new service. The exact costs will depend on the winning contractor and agreed roll-out methodology and communications but these are anticipated to be £2.2 million.

3. Consultations undertaken

- 3.1. The Senior Management Group receives a summary financial management report on a regular basis, and regularly covers financial topics on their agenda.

4. Implications

- 4.1. Potential over and underspends as in section 2 above, if trends continue, would result in these figures at outturn for the individual partners.

5. Background papers

- 5.1. Previous Financial Performance and Annual Budget reports to the Somerset Waste Board (all available on the website or from the report author).