

Somerset Waste Board meeting  
28 June 2019  
Report for decision

Paper  
Item No.

### Financial Outturn and the Use of Balances

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<b>Forward Plan Reference:</b>	SWB/18/12/03
<b>Summary:</b>	<p>Although a change in legislation means that a Joint Committee such as the Somerset Waste Board is no longer required to produce full statutory accounts in accordance with the CIPFA Code of Practice and to undergo a full external audit, it has been agreed by the Board that we would bring a report and summary financial statements to the Annual General Meeting in June.</p> <p>As part of the end of year financial reporting, we ask the Board to approve the proposed use of balances held as at 31 March 2019.</p>
<b>Recommendations:</b>	<p><b>That the Somerset Waste Board: -</b></p> <ol style="list-style-type: none"> <li><b>1. Notes the financial outturn position of the Partnership overall and the individual partners' balances at year end, and the summary accounts for 2018/2019 as presented in Appendix A.</b></li> <li><b>2. Confirms the recommendations of the partner authorities (as summarised in Appendix B), as to the use of the individual surpluses and deficits as at 31 March 2019.</b></li> <li><b>3. Approves the proposed approach to using our internal audit support as set out in Appendix C.</b></li> <li><b>4. Approve the transfer of funds to the Recycle More project fund (Section 2.4).</b></li> </ol>
<b>Reasons for recommendations:</b>	<p>The Board, as those charged with governance, need to be aware of the final financial performance of the Somerset Waste Partnership for 2018/2019, and some of the key reasons behind the performance.</p> <p>It is for the Board to confirm recommendations of the partners as to the usage of any useable balances at the end of the financial year.</p> <p>The first draft budget for 2020/2021 will be considered at the September meeting.</p>

<b>Links to Priorities and Impact on Annual Business Plan:</b>	<p>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. The financial outturn position will show how the Partnership has managed its resources as it delivered the Annual Business Plan.</p>
<b>Financial, Legal and HR Implications:</b>	<p>If the recommendations in this report are approved, particularly with regard to balances, the impact on each partner is set out in Appendix B.</p> <p>There are no specific legal or HR implications of this report.</p>
<b>Equalities Implications:</b>	<p>There are no specific equality impacts of this report.</p>
<b>Risk Assessment:</b>	<p>The risks associated with these recommendations are primarily concerned with the Recycle More project fund being adequately resourced to progress the roll out of the Recycle More collection service. Previous papers brought to the Somerset Waste Board have indicated the need for one-off funds to be available for the implementation of Recycle More.</p>

## 1. Background

- 1.1. The Board set its Annual Budget for 2018-2019 (originally totalling £45,145,256) at its meeting of 23 February 2018. Individual partner contributions, and the income and expenditure that are subsequently charged to each partner, are prescribed within our Cost Sharing Agreement.

Our Annual Budget is predominantly spent on making payments to our main contractors – Viridor and Kier. These payments account for approximately 97% of our expenditure.

- 1.2. A number of assumptions are made in the setting of each Annual Budget, such as the tonnage arising, amounts going through each disposal option, household numbers, inflation, the amount of kerbside recycling achieved for recycling credits and the number of green waste customers. Some of these cost drivers are quite volatile and will account for the variations from budget reported below.

## 2. Financial performance and options for balances

### 2.1. Summary outturn figures

The table below shows the variations from budget on all our major expenditure areas. **For the avoidance of any doubt, in the table below negative figures**

**shown in brackets are underspent budgets and 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	(58)	(3)	(3)	(4)	(3)	(1)	(73)
Disposal Costs	(1,162)	0	0	0	0	0	(1,162)
Collection - Recycling	0	0	0	0	0	0	0
Collection - Refuse	0	0	0	0	0	0	0
Collection - Garden	0	37	6	75	23	15	156
Collection Costs	0	2	1	2	2	1	9
Recycling Credits	(33)	8	6	11	5	3	0
Container Purchase & Delivery	0	(28)	(17)	(24)	(23)	(5)	(97)
Other	(13)	(4)	(15)	(17)	(4)	(1)	(55)
	<b>(1,267)</b>	<b>12</b>	<b>(22)</b>	<b>43</b>	<b>(0)</b>	<b>12</b>	<b>(1,222)</b>

New Collection Contract - funded from the earmarked reserves

<b>(632)</b>
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Total variance including Recycle More project fund

<b>(1,854)</b>
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Overall, if we exclude the in-year spend on the new collection contract, the total Partnership **underspend was £1,222,000** (2.7% of the original budget). This represents an improvement on the December position reported in February (where we forecast to be underspent by £942,000 or 2.1% of the budget). The reasons for the variances reflect the position previously reported to the Board, and are set out in sections 2.2. and 2.3 below.

## 2.2. Collection variations

The overall position for District partners has not changed significantly since the last Financial Update to the Somerset Waste Board in March 2019. At that point, we were forecasting a total overspend of £134,000 compared to a **final outturn overspend of £45,000**.

The significant variances to budget were an underspend on container purchase and delivery (£97,000) for all District partners and an overspend on garden waste (£156,000).

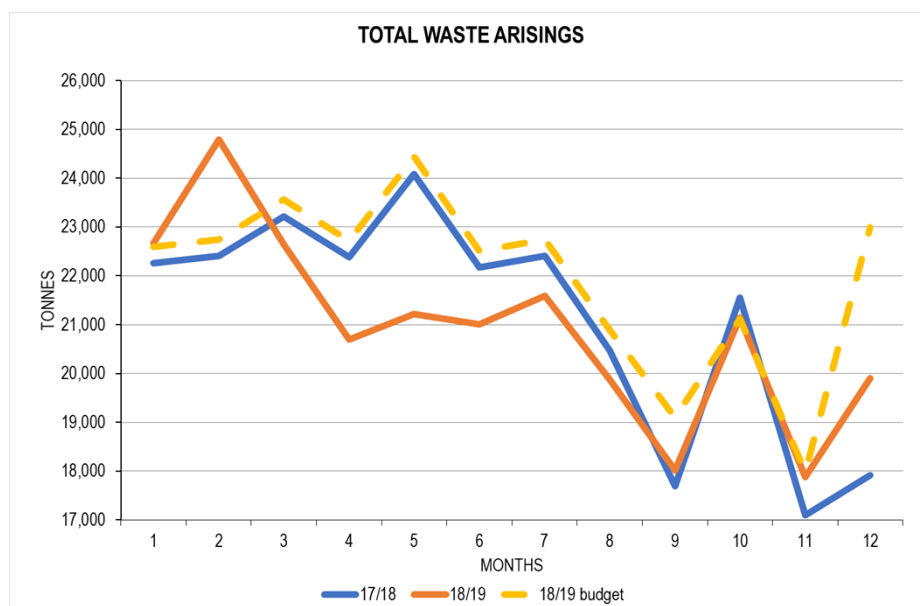
Excluding the garden waste performance, all Districts were underspent. Members are reminded that the overspend on garden waste costs experienced by partners are compensated by the income that the relevant District partner receives directly.

The movement from the figures reported to the board in March 2019 are in the main due to a small reduction in collection costs and increased dry recycling yields leading to increased recycling credits payments from the County Council.

### 2.3. Disposal variations

The disposal position improved at the end of the year, increasing the underspend on this budget area from £1,075,000 to £1,267,000. 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 illustrates this downward trend compared to budget.



Tonnages for the year are 0.9% lower than in 2017/18, this is against a 0.87% growth in households (December 2017 to December 2018 growth figures).

### 2.4. Recycle More project funding

The figures above do not include any drawdown from the Recycle More fund. It has been agreed by the board that this funding is kept separate from the continuation budget.

During the year £200,863 was spent on the project, and at the end of the year the fund stood at £657,308 due to the addition of funds agreed by the board from the vehicle lease budget.

The partnership requests approval to transfer £181,300 and £262,430 vehicle lease monies into the Recycle More fund for 2019/20. Due to the existing lease fleets life being stretched to the end of the contract we will not require the in year budget for lease payments of £262,430 or the part year monies that have been held in reserve for this purpose.

## **2.5. Use of balances**

The request for the use of District balances in Appendix B is made on the basis that the recycle more fund remains in the partnership.

In addition there is a request for £50,000 of the County Council disposal underspend to be carried forward within the Partnership. It is requested that this amount is carried forward for the extension of the food waste campaign to county wide coverage.

## **3. Consultations undertake**

- 3.1. The outturn position and use of balances have been discussed with the Senior Management Group.

## **4. Implications**

- 4.1. Should the use of balances be approved, District partners will be paid or will be required to pay back the sums as set out in Appendix B.

## **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)