

Somerset Waste Board meeting
30 June 2017
Report for decision

Financial Outturn and the Use of Balances

Lead Officer: Bruce Carpenter, Interim Managing Director and Martin Gerrish, Finance Officer

Author: Martin Gerrish, Finance Officer

Contact Details: mgerrish@somerset.gov.uk or (01823) 355303

<p>Forward Plan Reference:</p>	<p>SWB/17/03/01</p>
<p>Summary:</p>	<p>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.</p> <p>However, in the interests of updating members as to our outturn performance, it was agreed that we would still bring a report and summary financial statements to the Board's AGM in June. At the same time members are asked to approve the proposed use of balances as at 31st March 2017. (Members have received financial updates during the course of 2016-2017.)</p> <p>As part of the proposals on the use of balances, the Board is asked to re-confirm the position on retaining vehicle income within the Partnership towards the implementation costs of Recycle More.</p>
<p>Recommendations:</p>	<p>That the Somerset Waste Board:-</p> <ol style="list-style-type: none"> 1. Notes financial outturn position of the Partnership overall and the individual partners' balances at year end, and the summary accounts for 2016/2017 as presented in Appendix A; 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 31st March 2017.
<p>Reasons for recommendations:</p>	<p>The Board, as those charged with governance, need to be aware of the final financial performance of the Somerset Waste Partnership for 2016/2017, and some of the key reasons behind the performance.</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.
Links to Priorities and Impact on Annual Business Plan:	<p>The request to retain the one-off income obtained from the rental and sale of vehicles ties into the Business Plan objective for implementation of Recycle More.</p> <p>The request to retain £10,000 for cashless sites at the Recycling Centres is similarly to deliver a project under the Business Plan.</p>
Financial, Legal and HR Implications:	<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>
Equalities Implications:	There are no specific equality impacts of this report.
Risk Assessment:	The risks associated with these recommendations are primarily concerned if partners withdraw the vehicle income previously set aside. 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.

1. Background

- 1.1.** The Board set its Annual Budget for 2016-2017 (originally totalling £42,926,800) at its meeting of 26th February 2016. 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, final disposal, 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 this 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 doubt in the table below, 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	(14)	(2)	(2)	(2)	(2)	(1)	(22)
Disposal Costs	(590)	0	0	0	0	0	(590)
Collection - Recycling	0	(5)	(7)	(8)	(6)	(3)	(29)
Collection - Refuse	0	(1)	(1)	(1)	(1)	(0)	(5)
Collection - Garden	0	12	6	(6)	33	7	53
Collection Costs	0	(1)	(1)	(13)	(3)	0	(17)
Recycling Credits	(20)	(5)	12	(0)	5	7	0
Container Purchase & Delivery	0	2	(2)	6	(12)	2	(4)
Other	(5)	7	7	11	7	2	29
	(629)	8	14	(12)	22	13	(584)

Vehicle Income (In Year)	(112)
Vehicle Income (Prior Year)	(309)
Totals	(1,005)

Overall, if we exclude the in-year vehicle sales, the total Partnership **underspend was £584,000** (1.36% of the original budget). If the vehicle sales were to be included, this would be £696,000 underspend (1.62% of the original budget).

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 December 2016. At that point (Quarter 3), we were forecasting a total overspend of £23,000, (0.14% of the agreed collection budget) compared to a final outturn overspend of £45,000 (0.28% of the agreed collection budget).

There were minor changes in Quarter 4 on budget lines that members are familiar with, such as recycling credits and new containers (much reduced in Quarter 4 overall). There were also the Districts' proportion of the costs of the Voluntary Redundancy agreed for the Development and Monitoring Manager. Members are reminded that the overspend on garden waste costs experienced by most partners are compensated by the income that the relevant District partner receives directly.

One key variable that we need to monitor closely for District partners is in relation to recycling credits paid on dry recyclables at kerbside. Whilst these were volatile at times throughout the year, the respective outturn positions were broadly in line with budget. (A negative figure in the Variance to Budget column denotes additional income received by the District.)

Recycling Credits

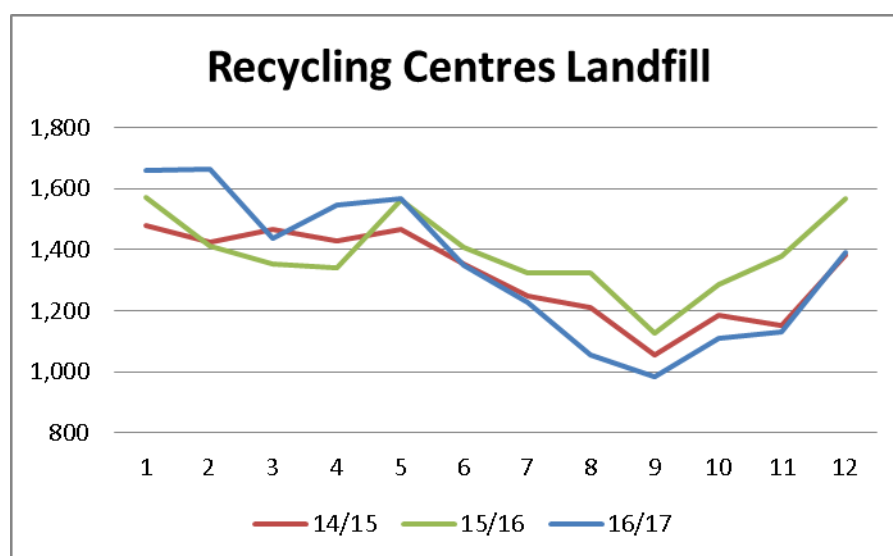
	Budgeted Credits £'000	Credits Forecast for the year £'000	Variance to Budget £'000	Percentage of Budget Variance £'000
Partner				
SCC				
MDC	(494)	(499)	(5)	1.0%
SDC	(481)	(469)	12	-2.5%
SSDC	(733)	(733)	(0)	0.0%
TDBC	(481)	(475)	5	-1.1%
WSDC	(181)	(174)	7	-3.8%
Total	(2,370)	(2,351)	20	

This is very similar to the position reported at Quarter 3 in February (previously £18,000 adverse variance). Overall, we achieved 99.2% of the budgeted recycling credits.

2.3. Disposal variations

The disposal position improved again in Quarter 4. The waste tonnages arising continued to fall, much as they had in Quarter 3. The overall underspend at year end represents 2.3% of the total disposal budget.

Again, this reduction in waste tonnages arising has been most noticeable through the Recycling Centres, where this trend has been noticeable from September onwards. It is thought most probable that this is a direct result of the commencement of the permit scheme on our sites (which is the subject to a separate report on this Board agenda). The Recycling Centre volumes were down by 11% on the equivalent six month period in the previous financial year, and as a result down 15% if measured against the trend from April 2016 to the permit introduction in October 2016.



2.4. Use of balances

In setting the Annual Budget for 2016-2017, it was already envisaged that funds would be required to pump-prime changes to the collection service. Recycle More will require a number of one-off pump-priming costs (in addition to any new vehicles that will be capital financed). The District section 151 officers preferred that the on-going contract inflation be built into the Annual Budget 2016-2017, and it would be the one-off vehicle rental and sale income that could be made available for Recycle More.

Officers have previously reported the need for one-off funding for the Recycle More project, and reports on this project have set out where these costs could fall. Members are asked again to carry forward the rental and sale income from vehicles into the next financial year. The request for the use of District balances in Appendix B is made on this basis. The combined total of this income for the last 2 financial years has now risen to £421,284.

On the disposal side, there is a need to complete the roll-out of the cashless payment systems on site, which is a Business Plan Action. This is a one-off requirement of £10,000.

Again, it is the officers' intention to bring forward other elements of the Business Plan that may require funding to the Board and when such needs arise.

2.5. Preparation of financial statements

Following the change in legislation for our financial years commencing 1st April 2015 and afterwards, and agreements at previous Board meetings, we no longer produce a full set of accounts under the CIPFA Code of Practice, and do not have a full external audit. External audit will naturally look at the waste position as part of their audit of the County Council, our Administering Authority. This saves several weeks of Finance time as a result and any external audit fee, which has been used to provide further time to support the alternatives to landfill and Recycle More projects.

However, officers proposed and members agreed to have a summary set of accounts for consideration at the Annual General Meeting. The 4 principle financial statements required in a Statement of Accounts under the CIPFA Code of Practice are included as Appendix A to this paper, together with some short notes. Officers have also included some of the standard supplementary tables, where these are thought of particular relevance and interest.

We have included much more information in the Income and Expenditure Statement than would previously have been required under the CIPFA Code to provide a greater breakdown of costs.

The Somerset Waste Partnership's accounts are prepared on the underlying assumption that we are a "going concern" – the assumption that the functions of the Partnership will continue in operational existence for the foreseeable future. Despite the increasing costs of both waste collection and disposal, set against the increasingly limited funding available to all partner authorities, it is clear that the Partnership represents the most economical method of delivering these services to Somerset residents.

Although we are no longer bound by the CIPA Code of Practice requirements, we

have continued to employ the same accounting principles and practices that we have previously made when producing statutory Statement of Accounts. This includes, for example, how we treat and value our inventories (stock) and how we review any risks around transactions and make any necessary provisions and adjustments.

Our Constitution and Inter Authority Agreement set out the earmarked reserves that we maintain for each of the Partners. These reserves and balances are set out in the bottom half of the Balance Sheet. In summary, the amounts held by the Partnership are the £1.005m figure referred to above, £0.181m of lease payments (simply a timing difference) and a small balance of £0.025m of West Somerset funding from 2014/2015 that it is not allowed to withdraw from the Partnership under the Sort It Plus funding agreement.

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 be required to pay back the sums as set out in Appendix B.

5. Background papers

- 5.1. **Somerset Waste Board Constitution and Inter Authority Agreement.**
“Annual Budget 2016/2017” from the Somerset Waste Board meeting 26th February 2016.
“Financial Performance Update 2016/2017” from the Somerset Waste Board meeting 24th February 2017.
- 5.2. For any background papers, please contact the report author.