

Somerset Waste Board meeting
25 June 2021
Report for decision

Financial Outturn and Use of Balances 2020/21

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Forward Plan Reference:	11.06.2021
Summary:	<p>A Joint Committee such as the Somerset Waste Board is not required to produce full statutory accounts in accordance with the CIPFA Code of Practice or undergo a full external audit. It was agreed by the Board that we would bring a report and summary financial statements to the Annual General Meeting.</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 2021.</p>
Recommendations:	<p>The Joint Waste Scrutiny Panel considers and comments on the following recommendations in this report.</p> <p>That the Somerset Waste Board:-</p> <ol style="list-style-type: none"> 1. Notes the financial outturn position of the Partnership overall and the individual partners' balances at year end, and the summary accounts for 2020/2021 as presented in Appendix A. 2. Approve 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 2021. 3. Notes the outturn position of the Recycle More fund in paragraph 2.4. 4. Approves the proposed approach to using our internal audit support as set out in Appendix C.
Reasons for recommendations:	The Board, as those charged with governance, need to be aware

	<p>of the final financial performance of the Somerset Waste Partnership for 2020/2021, and some of the key reasons behind the performance.</p> <p>It is for the Board to approve recommendations of the partners as to the usage of any useable balances at the end of the financial year.</p> <p>In accordance with previous internal audit recommendations, officers provide in-year financial information for the Board alongside the regular Performance Monitoring reports as they are complementary reports.</p>
Links to Priorities and Impact on Annual Business Plan:	<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>
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:	<p>There are no specific equality impacts of this report.</p>
Risk Assessment:	<p>There are no risks associated with the recommendations above.</p>

1. Background

- 1.1. The Board set its Annual Budget for 2020-2021 (originally totalling £47,894,210) at its meeting of 14 February 2020. Individual partner contributions, and the income and expenditure that are subsequently charged to each partner, are prescribed within our Cost Sharing Agreement.
- 1.2. The Annual Budget is predominantly spent on making payments to our main contractors, these were Viridor and Suez for 2020-2021.
- 1.3. 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. 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 were underspent budgets and figures not in brackets were overspent budgets.** (A zero figure indicates that the line was on budget or that it was 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	SWaT £'000	Total £'000
Head Office	70	(2)	(2)	(3)	(3)	60
Disposal Costs	(571)	0	0	0	0	(571)
Collection - Recycling	0	516	509	764	698	2,487
Collection - Refuse	0	692	690	1,037	932	3,351
Collection - Garden	0	(257)	(301)	(402)	(382)	(1,342)
Collection Costs	0	(3)	0	(7)	(5)	(15)
Recycling Credits	0	0	0	0	0	0
Container Purchase & Delivery	0	(20)	(22)	(31)	(24)	(96)
Garden Income retained by partner	0	142	(63)	(83)	(116)	(120)
Other - includes balances to RM fund	(136)	(869)	(823)	(1,274)	(1,142)	(4,243)
	(637)	199	(11)	1	(42)	(489)

Recycle More Fund	824
Outturn Variance	336

Overall, if we exclude the in-year spend on Recycle More, the total Partnership **underspend was £488,700** (1.02% of the original budget). The Recycle More project work was funded from a separate project fund. The reasons for the outturn variances to budget are set out in sections 2.2. and 2.3 below. Covid-19 costs were charged to all partners as appropriate so are not included in the reported forecast outturn position.

2.2. Collection Variations

The overall position for District partners was an overspend of £147,900. This was an adverse movement from the underspend position of £134,000 reported at the February Board, this movement was as a result of the work undertaken to

evaluate what elements of spend should be attributable to Recycle More. This is in line with the cost sharing principles for Recycle More as agreed by the Board and imbedded in the Inter-Authority Agreement. As highlighted previously to the board it was not possible to complete this in time for the projected outturn position reported for December at the February board.

The overspend position was in the main due to two factors, the final quarter of Covid-19 costs as detailed below of £291,000, offset in part by the underspend on garden waste income of £120,000. The balance was a number of other small budget variances.

A large proportion of the garden waste income for Mendip District Council was received prior to 1st April 2020 and this was returned to them as part of their surplus at outturn for the year 2019/20. This has been appropriately accounted for in their accounts and will form part of their income for 2020/21. Somerset Waste Partnership are now also collecting Garden Waste income for all other district partners. Therefore, as done with Mendip at the end of 2019/20 these are to be returned (subject to board approval) and will be accounted for appropriately by partners to reflect the year to which they are attributable.

As detailed in paragraph 2.5 below all partners were charged for their respective shares of Covid-19 costs for the partnership. The early covid-19 costs for the District Partners were previously billed however the collection contract costs for the final quarter were agreed by S151's to be included as part of the outturn position and recouped by the partnership in this way.

2.3. Disposal variations

The disposal position improved at the end of the year, resulting in an underspend on this budget area of £637,000. The movement from the position reported to the board in February was in part due to the application of Covid-19 funding to the remainder of SCC's share of Covid-19 costs and the movement of costs as a result of the work undertaken to evaluate what elements of spend should be attributable to Recycle More. This is in line with the cost sharing principles for Recycle More as agreed by the Board and imbedded in the Inter-Authority Agreement. As highlighted previously to the board it was not possible to complete this in time for the projected outturn position reported for December at the February board.

The underspend is largely due to reduced tonnages at the recycling sites due to their closure at the start of the financial year. Changes in kerbside tonnages were included in the balances attributable to recycle more. This was an increase in dry recycling and food tonnages at the kerbside diverting waste away from the more expensive residual waste disposal routes.

In addition, the outturn position also includes an underspend on the school's collection contract of £112,900 due to delays as a result of covid-19 to the roll out of enhanced recycling provision to school. This balance has been requested to be carried forward to 2021/22 as part of Somerset County Councils outturn to enable the delayed work to be carried out in 2021/22.

The following SCC savings are built in to the 2020/21 budget totalling £361,100;

- £200,000 – Year 2 of the core services contract extension (previously agreed by the board in November 2018)
- £20,000 - Fly-tipping compensatory scheme removal (ceasation of scheme agreed by the board in September)
- £36,000 - Minimisation Cap (linked to core contract extension)
- £105,100 – Slim my Waste, Feed my Face food campaign

All these savings were achieved by the end of the financial year except 20% of the Slim my Waste, Feed my Face saving which was funded through MHCLG Covid-19 funding as Covid impacted its deliverability.

2.4. Recycle More

The figures above do not include the Recycle More project. This was funded from the Recycle More Project Fund and where appropriate capital monies. For 2020/21 the net position for Recycle More was an overspend of £824,200. This leaves the project fund balance at the end of the year with a deficit of £964,200.

Recycle More was forecast to breakeven during the early part of quarter two of 2022/23. At the February board it was highlighted to members that this would now be later in the 2022/23 financial year. As promised further work was done to update the breakeven position and it was reported to a joint meeting of S151's and SMG in April that the breakeven is now anticipated to be in quarter three of 2022/23. This position is as a result of updated information on recycle yields and income and actual roll out costs incurred.

There are still some unknowns which could impact the breakeven position such as the demand for replacement containers and the ongoing impact on materials sales values. We will continue to regularly review this as roll out continues. We still expect to deliver the original forecast saving of over £2m per annum across all partners.

As previously agreed, no savings as a result of the new contract will be taken from the Somerset Waste Partnership until all roll out costs have been fully funded and breakeven point is reached. The anticipated savings figures have been shared with s151 Officers for inclusion in each partners MTFP process.

2.5 Covid-19

It was agreed that all partners would be charged for their respective shares of Covid-19 costs for the partnership. All partners included these Covid-19 costs on their individual MHCLG returns. The total Covid-19 additional spend for Somerset Waste Partnership for 2020/21 was £3,003,800 (£697,400 SCC, £2,306,400 District Partners). This was for the delayed roll out of Recycle More, re-opening of HWRC sites and associated costs, changes to tonnages, additional collection costs and head office costs such as PPE and the undeliverable element of the Slim my Waste, Feed my Face campaign.

There are not anticipated to be many additional costs as a result of Covid-19 in 2021/22 as we move towards a normal state of service delivery. However, for the first quarter of the year there are still costs with the collection contractor as a result of working within Covid-19 restrictions. It is estimated for the quarter that these will be in the region of £240,000. As with 2020/21 partners include these Covid-19 costs on their individual MHCLG returns and will be charged accordingly in line with the cost sharing principles set out in the IAA.

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 separate to the continuation budget.

3. Consultations undertaken

- 3.1.** The outturn position and use of balances have been discussed with District Partners.

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)