

Financial Outturn and Use of Balances 2019/20

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Forward Plan Reference:	SWB/20/01/04
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 2020.</p>
Recommendations:	<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 2019/2020 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 31 March 2020.3. Notes the outturn position of the Recycle More fund in paragraph 2.4.4. Agrees the case for applying the exempt information provision as set out in the Local Government Act 1972, Schedule 12A, and therefore to treat the attached confidential report and its appendices in confidence, as they contain commercially sensitive information, and as the case for the public interest in maintaining the exemption outweighs the public interest in disclosing that information. Subject to the approval

	<p>of Recommendation 2 above, agrees to exclude the press and public from the meeting for the consideration of the attached confidential report and its appendices where there is any discussion at the meeting regarding exempt or confidential information.</p> <p>5. Notes the approach proposed in the confidential appendix to resolving a number of outstanding contractual issues with Kier. Confidential updates will be brought to future board meetings.</p>
<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 2019/2020, 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 2021/2022 will be considered at the September meeting.</p> <p>PLEASE NOTE: Although the main report for this item is not confidential, supporting indices available to Members could contain exempt information and are therefore marked confidential – not for publication. At any point, if Members wish to discuss information within this appendix, then the Board will be asked to agree the following resolution to exclude the press and public.</p> <p>Exclusion of the Press and Public</p> <p>To consider passing a resolution having been duly proposed and seconded under Schedule 12A of the Local Government Act 1972 to exclude the press and public from the meeting, on the basis that if they were present during the business to be transacted, there would be a likelihood of disclosure of exempt information, within the meaning of Schedule 12A of the Local Government Act 1972.</p>
<p>Links to Priorities and Impact on Annual Business Plan:</p>	<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:	There are no specific equality impacts of this report.
Risk Assessment:	There are no risks associated with the recommendations above.

1. Background

- 1.1. The Board set its Annual Budget for 2019-2020 (originally totalling £46,243,485) at its meeting of 15 February 2019. 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 Kier for 2019-2020. These payments account for approximately 94% of our expenditure.
- 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 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	SWaT £'000	Total £'000
Head Office	(150)	(6)	(6)	(9)	(9)	(180)
Disposal Costs	(1,101)	0	0	0	0	(1,101)
Collection - Recycling	0	(0)	(0)	(0)	(0)	(0)
Collection - Refuse	0	0	0	0	0	1
Collection - Garden	0	(26)	(39)	29	(63)	(99)
Collection Costs	0	(3)	(8)	(7)	(4)	(21)
Recycling Credits	(17)	2	5	4	6	0
Container Purchase & Delivery	0	(4)	5	(10)	(18)	(27)
Other	(15)	(341)	(8)	(8)	4	(369)
	(1,283)	(377)	(51)	(0)	(84)	(1,796)
Recycle More Fund						140
						(1,656)

Overall, if we exclude the in-year spend on Recycle More, the total Partnership **underspend was £1,796,000** (3.9% of the original budget). This represents an improvement on the December position reported in February (where we forecast to be underspent by £1,299,000 or 2.8% of the budget). The reasons for the variances are set out in sections 2.2. and 2.3 below.

2.2. Collection variations

The overall position for District partners is an underspend of £512,000, this is a significant movement of £432,000 from the £80,000 underspend reported in the last Financial Update to the Somerset Waste Board on 14 February 2020.

The most significant savings to budget were reduced garden customer numbers compared to that budgeted in total across all District partners (£99,000) and reduced costs on container purchases and deliveries (£27,000). This was partially offset by recycling credits being less than that budgeted by £17,000.

In addition, Somerset Waste Partnership started to collect income for garden waste subscriptions for Mendip District Council and income for bulky waste collection for all district partners towards the end of the financial year. This was not part of the budget set in February 2019 as it was not confirmed income would be collected in this way, therefore results in an underspend of £354,000.

There were a number of other small variations to budget which make up the balance of the underspend, such as reduced head office costs.

The movement from the figures reported to the board in February 2020 are in the main due to the collection of income detailed above for garden and bulky waste and an improved position on recycling credits moving it closer to that budgeted than was previously reported in February.

2.3. Disposal variations

The disposal position improved at the end of the year, increasing the underspend on this budget area from £1,218,000 to £1,283,000. Forecasts were reprofiled throughout the year to reflect that tonnages to date were less than budgeted. There were significant waste reductions for residual waste at both the kerbside and recycling sites compared to budget. This is the most expensive waste stream so any reduction or diversion results in the largest savings.

The movement from the position reported to the board in February is mainly down to reduced head office costs and very small movements in tonnages.

The following SCC savings were built in to the 2019/20 budget;

- £200k Waste HWRC contract extension.
- £225k Non customer facing savings including volumes and a number of other small savings.

These savings were achieved by the end of the financial year.

2.4. Recycle More

The figures above do not include the Recycle More fund. It has been agreed by the board that this funding is kept separate from the continuation budget. During the year £1,241,000 was spent on the project. This leaves the project balance at the end of the year with a deficit of £140,000. 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.

These costs included pre contract borrowing and implementation costs. Implementation costs include costs in relation to the termination of the Kier contract, lease and depot costs and technical advice.

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)