

Appendix B**Joint Waste Scrutiny Panel**

Notes of initial meeting held on 9th January 2012

Present**Mendip District Council**

Cllr Nick Cottle
Cllr Terry Napper (Substitute member)

Somerset County Council

Cllr John Dyke
Cllr John Woodman

South Somerset District Council

Cllr Sue Steele

Taunton Deane Borough Council

Cllr Robert Bowrah BEM
Cllr Alan Wedderkop

West Somerset Council

Cllr Jon Freeman
Cllr Richard Lillis

Cllr Derek Yeomans – Chairman, Somerset Waste Board
Steve Read – Managing Director – Somerset Waste Partnership
Martin Gerrish – Financial Officer, Somerset Waste Partnership
Richard Sealy – Taunton Deane Borough Council
Emily McGuinness – Scrutiny Manager, South Somerset District Council

Apologies

Apologies for absence were received from Cllr Paul Maxwell

Discussion of decisions / outcomes of Somerset Waste Board meeting held on 16 December 2011

Members present were referred to the Somerset Waste Partnership's Business plan which was discussed at the Board Meeting on 16 December 2011 (copies of the plan were made available at the meeting). In addition, Martin Gerrish, Financial Officer gave a presentation outlining how the Somerset Waste Partnership is funded (a copy of the presentation is attached to these notes).

During discussion, the following points were made:

- The Landfill Tax escalator will have significant implications for the partnership over the coming years – especially for the disposal authority. The position post 2014/15 is not yet clear but it is anticipated that the level of Landfill Tax will continue to rise.
- The sparsity factor is often underestimated when looking at the costs of the partnership – all households (as defined by relevant legislation) are legally entitled to have their waste collected, although in some very remote areas, agreements are reached whereby waste is taken to a more accessible location i.e. end of a farm track.
- The implications of the recession on recycling levels included the reduced size of newspapers.
- 97% of the SWP budget is in effect an outsourced budget paid directly to contractors.
- All costs are apportioned using a complex cost sharing mechanism (as described in the attached presentation)
- The cost sharing mechanism has been recently reviewed and found to be equitable.
- The Partnership's constitution does not allow for 'cost shunting'. This means that no single partner can make a decision which adversely affects the other partners. A particular example of this was the implications of the County's decision to reduce services at HWRC's which has led to an increase in flytipping. SCC are required to compensate the district authorities for their increased costs.
- It is for the Board to agree how savings are delivered. Individual partners can specify the level of savings they wish to achieve but the Board will agree how.
- The contract re-negotiation with May Gurney will represent between 3% and 4% savings annually for partners.
- In the future, savings can only really be achieved through service reductions.

Anaerobic Digester

Steve Read, CEO of the Waste Partnership then gave a presentation on the progress of the Anaerobic Digester (copies of which are available on the members pages and upon request from the Scrutiny Manager).

Members were very positive about the proposals and the potential for further development of the site. It was noted that the County Council (as the disposal authority) had agreed that they will get a share of any additional income generated by Viridor through collecting food waste from private industry.

Green Waste Collection Charges

Members were then asked to consider the recommendation made by the Waste Board relating to charging for Green Waste collection. The intention is to harmonise costs but the decisions over what to charge rests with the individual authorities. Members were informed that currently, only SSDC were proposing to implement the increases, although they are considering proposals to allow customers to continue paying a lower rate if paid for online.

West Somerset Councillors stated that their residents already see the costs for green waste collection as prohibitive and any future price increases would possibly lead to a reduction in take up of the green waste service.

Any other business

Members commented that the Communications plan was a very comprehensive document and particularly welcomed any initiatives to get more young people involved in the work of the partnership.

Members fully endorsed the priority as stated in the Business plan to reduce the amount of food waste currently disposed of as residual waste (currently 17% of residual waste is food waste).

It was agreed that the panel would look to meet again in 7/8 months time for the purpose of reviewing performance against the priorities as set out in the business plan and to start considering budget proposals for the coming year. It was noted that the Joint Scrutiny Panel could be convened at any point should the need arise.

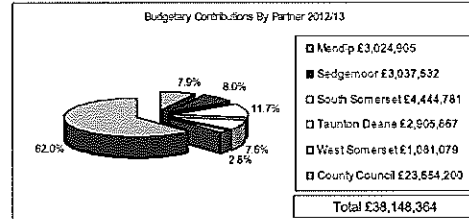
SOMERSET WASTE JOINT SCRUTINY

PRESENTATION : FINANCING THE SWP

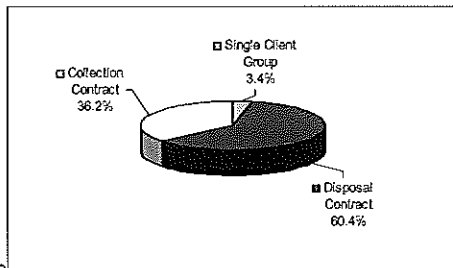
9th January 2012
Martin Gerrish



Draft Budget 2012/2013



Budgetary Requirements



Budgetary Requirements

Expenditure	Cost £
Single Client Group	1,153,370
Support Services	145,510
Landfill Disposal	8,664,504
HWRC Disposal	8,594,980
Food Waste Disposal	1,723,660
Hazardous Waste Disposal	344,920
Recycling Credit Payments	2,222,250
Composting Disposal	1,492,130
Recycling Collection	5,680,970
Garden Waste Collection	1,938,030
Refuse Collection	5,081,480
Other Collection	806,560
Total	38,148,364



The Landfill Tax Escalator

Year	Gate Fee	Landfill Tax	Total
2010/2011	£19.70	£48.00	£67.70
2011/2012	£20.79	£56.00	£76.79
2012/2013	£21.93	£64.00	£85.93
2013/2014	£23.14	£72.00	£95.14
2014/2015	£24.41	£80.00	£104.41

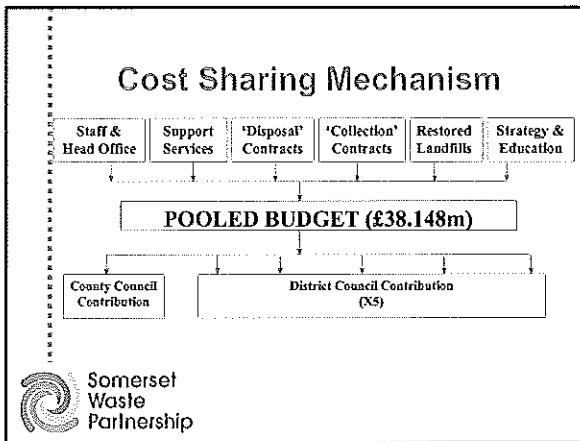
Increase from 2010/2011 to 2014/2015 = 54% in 4 years



Key cost drivers in waste

- **Collection:-**
 - Number of households in each District
 - Frequency of collection of each service
- **Sparsity**
- Customer numbers e.g. green waste
- Recycling levels achieved by District
- **Disposal:-**
 - Volumes arising and landfill tax
- **Both:-**
 - Inflation – labour (60%), fuel (10%), CPI (30%)





- ### Principles of SWP Cost Sharing Mechanism (1)
- Disposal costs and risks remain with SCC
 - Recycling credits agreement remains separate
 - "Partner specific" costs remain with individual parties
 - Collection costs are split by Districts *mainly* based on numbers of households (unweighted households) or on household numbers adjusted for sparsity (weighted households)
 - Staff costs based on Job Description percentages
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- ### Principles of SWP Cost Sharing Mechanism (2)
- No "cost shunting" between partners – for example, flytipping
 - Penalties for exiting the Partnership
 - Board decision to make any changes to the Cost Sharing Mechanism
 - Board decision on how to deliver any financial targets from partners
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- ### Formulae
- The Cost Sharing Mechanism is a series of formulae, agreed in principle before we look at the impact on individual partners
 - Every budget line (about 70 in total) in the Cost Sharing Mechanism is governed by a formula, and was agreed by all partners' finance officers
 - New budget lines are assigned the appropriate formula and ratified by the Board
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Example of Formula: Client Costs Formula

Waste Collection Authority share = $(\text{Cost} \times 54.24\%) \times (\text{NR} / \text{TRC})$

Where NR = number of Residential Properties in the Waste Collection Authority Area; and
TRC = total number of Residential Properties in the County

Waste Disposal Authority share = $\text{Cost} \times 45.76\%$

Rough SWB Financial Timetable

January / February	Approve Budget for Next Financial Year
	Agree Internal Audits for Next Financial Year
By End Of June	Receive Outturn Report for Previous Financial Year
By End Of September	Receive External Audit opinion on Accounts & Value For Money
	Approve Statement of Accounts & Governance Statement
	Draft Business Plan & High-Level Financial Estimates
Summer / Autumn	Mid Year Financial Report
	Discussions on Next Year's Budget and Possible Efficiencies

Role of the Administering Authority (SCC)

- Section 151 officer for finance
- Provision of support services in most cases (finance, HR, insurance, ICT, legal)
- Financer of assets (capital borrowing / leaseholder)
- Produce a full set of statutory accounts, "Value for Money" Statement and a Annual Statement of Governance
- Employ the staff
- Hold the contracts and assets



Financial Results 2010/2011

- Total Contributions £38.093 million
- Underspend at year end £44k (2009/2010 £499k)
- Percentage spent 99.87% (2009/2010 98.51%)
- SCC disposal costs £88k overspent; Districts collectively £132k underspent



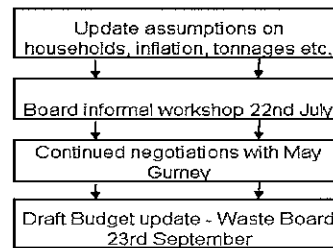
SOMERSET WASTE JOINT SCRUTINY

PRESENTATION : CURRENT ANNUAL BUDGET

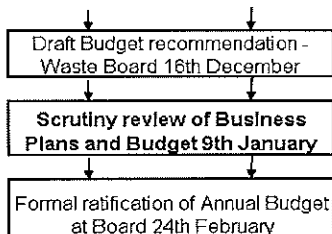
9th January 2012
Martin Gerrish



Meeting the Constitution timetable



Meeting the Constitution timetable



Need For Contract Extension

- Collection contract with May Gurney to be extended for second 7 year period.
- Collection partners to get a number of financial concessions as result



Need For Contract Extension

- "Legacy" inflation foregone
- **More realistic indexation base (60% labour; 10% fuel; 30% CPI)**
- Move to a September index date to increase budgeting certainty
- Uplifts now based directly on household growth
- **Estimated savings c£350k per annum for the next 10 years**



Disposal savings options

- Volume decrease (c£583-c£619k)
- **Reduction to the Recycling Centres repairs and maintenance budget (£30k)**
- Reduction to Head Office costs (£50k)



Finance in the future?

- Disposal – everything will continue to be measured against comparative landfill costs.
- Collection – difficult decisions may have to be made about the level of services provided



ANY QUESTIONS ?

