

**TO: JOINT WASTE DISPOSAL BOARD
21st September 2010**

**JOINT WASTE DISPOSAL BOARD – ANNUAL FINANCIAL STATEMENT
(Report by the Project Director)**

1. INTRODUCTION

- 1.1 The purpose of this report is to summarise the financial position of the joint waste PFI for the 2010 Annual General Meeting of the Joint Waste Disposal Board.
- 1.2 It seeks to conclude the management of finances in the 2009/10 year, details the emerging position in the current year and presents the first draft of the budget for the 2011/12 year.

2. RECOMMENDATIONS

- 2.1 **To note the contents of the Annual Financial Statement.**

3. SUPPORTING INFORMATION

2009/10 Annual Statement

- 3.1 See Appendix 1 for the 2009/10 Annual Unitary Charge Statement.
- 3.2 This is an alternative version of the Annual Outturn which was presented at the July 2010 JWDB and provides details of the various elements of expenditure on the contract in the past year.
- 3.3 As reported at the July meeting, the major reasons for the underspend against the budget were the dramatic fall in contract waste tonnage, a significant reduction in inflation (from 4% to 1.7%) and business rates not increasing as much as expected following the revaluation of the sites.

2010/11 Outturn

- 3.4 The year to date outturn for 2010/11 is attached under Appendix 2.
- 3.5 Based on actual tonnage and costs for the first three months and estimated tonnages and costs for the remainder of the year, the Project is currently projecting a £170,000 underspend against budget. Contract tonnage is significantly below the tonnage estimated at the time of budget setting in November 2009.
- 3.6 The savings associated with lower tonnages are offset by the increased cost of inflation.
- 3.7 Inflation has been difficult to predict. The budget for the current year assumed inflation at 2.5%, based on indications at the time of budget setting. However, by April 2010 inflation had increased to 5.4%; this is the rate against which the 2010/11 contract year costs are indexed.
- 3.8 A statement of the Management budget and year to date expenditure is included under Appendix 3.
- 3.9 The current expenditure on the Management budget is low, partly due to an accrual of £75,000 brought forward from 2009/10 and also due to the expenditure only relating to the first 5 months of the year.

2011/12 Budgets

- 3.10 The draft Waste Disposal budget for 2011/12 is attached under Appendix 4.
- 3.11 The budget is based upon estimated tonnages derived from a waste modelling exercise which the Councils completed in conjunction with the Contractor in July 2010. The main underlying assumptions are highlighted below.
- 3.12 A growth factor of 0.7% has been applied to contract tonnage for 2011/12. This is based on the Contractor's companywide projection, but is lower than Defra's growth forecast of 1%.
- 3.13 Inflation is assumed at 5% based upon current levels. The financial model assumes annual inflation of 2.5% and the difference in rates represents a cost differential of around £380,000 for the year.
- 3.14 The budget includes the 10,000 additional tonnes of EfW currently being procured by the Contractor on behalf of Reading and Wokingham. The cost of this is allocated equally between the two Councils.
- 3.15 The allocation of assumed tonnage and costs of the Household Waste Recycling Centres is as per the November 2009 User Survey.
- 3.16 The draft Waste Disposal budget for 2011/12 has been shared with the appropriate accountants at each Council.
- 3.17 The draft Management budget for 2011/12 is attached under Appendix 5.
- 3.18 In common with the search for savings across the councils, the re3 Project Team has identified £63,900 of savings within the Management budget, detailed below. This figure exceeds the saving level of 20%.
- 3.19 Employee costs have reduced by £17,900. This is due to the pay freeze, a reduced training budget and the total for staff costs proving to be lower than was originally anticipated.
- 3.20 Costs of supplies have reduced by £6,000. The budgets for office and computer equipment have been reduced to reflect that no further 'setting up' expenditure is required at the offices.
- 3.21 The budget for legal and financial advice provided by external consultants has been reduced by £40,000. If an issue should arise, the Councils would collectively decide whether to procure external advice, possibly resulting in a budget pressure, or whether the advice of our in-house legal and financial teams would suffice.
- 3.22 The proposed Management Budget represents 0.8% of the budgeted project cost for the 2011/12 year. As previously reported, the Office of Government Commerce (OGC) guidance on resourcing contract management in PPP (Public Private Partnership) contracts, advises that a guide for contract management costs should be around 2% of the annual contract value.

BACKGROUND PAPERS

CONTACTS FOR FURTHER INFORMATION

Mark Moon, Project Director

0118 974 6308

Mark.moon@wokingham.gov.uk

Oliver Burt, Project Manager

0118 937 3990

oliver.burt@reading.gov.uk

Clare Ayling, re3 Finance & Administration Officer

0118 937 2941

Clare.ayling@reading.gov.uk

Appendix 1

2009/10 Annual Unitary Charge Statement							
	BFBC		RBC		WBC		TOTAL
Baseline Payment	£	1,968,433	£	2,705,258	£	2,915,043	£ 7,588,734
Recycling Payment	£	296,489	£	356,448	£	356,012	£ 1,008,949
Composting Payment	£	277,029	£	256,115	£	478,144	£ 1,011,288
Landfill Tax	£	898,736	£	1,471,372	£	1,370,374	£ 3,740,482
Landfill Gate Fee	£	416,384	£	681,686	£	634,894	£ 1,732,964
Landfill Haulage	£	226,052	£	370,082	£	344,679	£ 940,813
EfW Payment	£	531,774	£	689,712	£	723,555	£ 1,945,041
Beneficial Use Payment	£	25,145	£	47,049	£	68,358	£ 140,552
Civic Amenity Site Payment	£	262,206	£	304,416	£	551,050	£ 1,117,672
Waste Minimisation Payment	£	42,650	£	58,582	£	63,132	£ 164,364
Pass-through Costs							
Waste (Chemicals etc.)	£	68,728	£	134,025	£	191,218	£ 393,971
Non-waste (Rates)	£	33,637	£	43,628	£	45,768	£ 123,033
RBC Trade Collection	£	-	£	184,697	£	-	£ 184,697
Bring Bank Passthrough	£	3,483	£	73,766	£	-	£ 77,249
Additional works	£	12,136	£	13,291	£	3,548	£ 28,975
Rental income	-£	356,097	-£	219,137	£	-	£ 575,234
Rental Payment	£	157,269	£	203,978	£	213,987	£ 575,234
Performance Deductions	-£	8,213	-£	6,704	-£	8,093	-£ 23,010
Extended Hours Payment	£	1,644	£	-	£	-	£ 1,644
Rejected Load Payment	£	-	£	45	£	-	£ 45
Royalty Payment	-£	26,237	-£	34,030	-£	35,700	-£ 95,966
	£	4,831,246	£	7,334,278	£	7,915,971	£ 20,081,495
Additional Charges							
Dilapidations Refund	-£	20,104	-£	20,104	-£	20,104	-£ 60,313
Additional Business Rates following Revaluation	£	86,813	£	112,596	£	118,121	£ 317,530
Contamination Payment	£	17,780	£	21,778	£	21,281	£ 60,840
EfW Delay Haulage	£	80,000	£	80,000	£	80,000	£ 240,000
	£	164,489	£	194,270	£	199,298	£ 558,057
TOTAL UNITARY CHARGE PAYMENTS 2009/10		£4,995,736		£7,528,548		£8,115,270	£ 20,639,553
2009/10 Budget	£	5,335,450	£	7,666,769	£	8,590,446	£ 21,592,665
2009/10 Underspend	-£	339,714	-£	138,221	-£	475,176	-£ 953,112

Appendix 2

re3 PFI Budget Monitoring

2010/11 Waste PFI Outturn

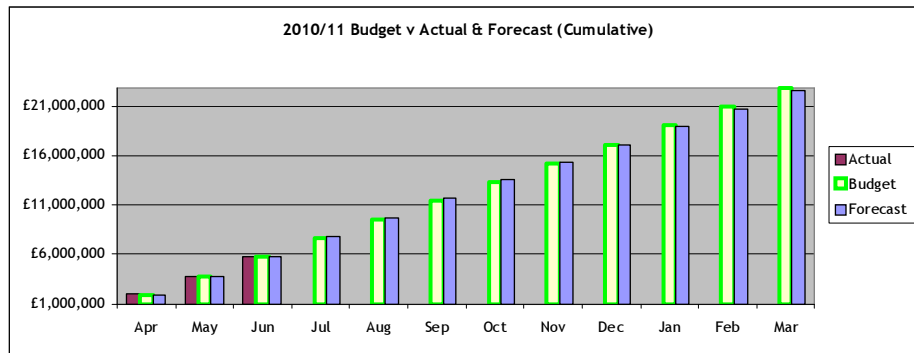
		BFBC £	RBC £	WBC £	TOTAL £
Apr-10	Actual	497,336	685,025	772,635	1,954,996
May-10	Actual	481,157	602,854	713,664	1,797,675
Jun-10	Actual	485,946	684,446	739,851	1,910,243
Jul-10	Forecast	508,169	661,161	757,740	1,927,069
Aug-10	Forecast	503,049	647,106	752,261	1,902,417
Sep-10	Forecast	509,433	667,634	756,822	1,933,888
Oct-10	Forecast	494,101	639,932	734,573	1,868,607
Nov-10	Forecast	467,340	635,699	689,813	1,792,852
Dec-10	Forecast	436,686	592,357	643,251	1,672,293
Jan-11	Forecast	486,706	633,645	730,330	1,850,681
Feb-11	Forecast	424,686	586,309	629,562	1,640,557
Mar-11	Forecast	483,569	660,951	710,976	1,855,497
TOTAL		5,778,179	7,697,119	8,631,478	22,106,775
Business Rates		106,441	138,055	144,829	389,325
Additional EfW		0	42,300	42,300	84,600
2010/11 Outturn		5,884,620	7,877,473	8,818,606	22,580,700
2010/11 Budget		6,011,277	7,874,406	8,949,805	22,835,488
Revised 2010/11 Budget		5,832,480	7,874,406	8,949,805	22,656,691
Variances Declared		94,000	0	0	94,000
Under Spend		-41,860	3,067	-131,199	-169,991

-0.7%

Notes

1. Based on actual invoices and forecasts
2. Trade waste currently included in RBC costs & budget until account is set up
3. Additional tonnes EfW split 50:50 between RBC & WBC. Assumed start Oct 10 (5000 tonnes).
4. BFBC budget reduced to exclude non-contract waste (Housing no longer Council-run) and a proportion of the previously estimated business rates increase.
5. The underspend takes account of the £94,000 variance that BFBC have reported.

re3 Management Budget/Costs not included



Appendix 3

JWDB - re3 Waste PFI Management Costs				Period to 31 August 2010
2010/11				
Employees	Budget	Cost	Variance	Comments
	£	£	£	
Salaries, NI & Super	166,800	53,913	-112,887	April-August only. New post filled in August 10.
Training (£3,000)	3,000	0	-3,000	
Employees sub total	169,800	53,913	-115,887	
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Other Costs	Budget	Cost	Variance	Comments
Transport				
Car Allowances	1,000	43	-957	
Supplies & Services				
Equipment	3,500	0	-3,500	
Stationery	500	0	-500	
Consultancy Fees	60,000	-45,514	-105,514	Includes accrual of £75k from 2009/10.
Purchase of Computer Equipment	6,700	22	-6,678	
Mobile Phones	400	0	-400	
Support Services/Recharges	20,900	8,708	-12,192	
Other Costs sub total	£93,000	-£36,741	-£129,741	
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2009/10 Total	£262,800	£ 17,173	-£245,627	
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Council Recharge (to date)		£		
Reading		£7,362		
Bracknell		£2,449		
Wokingham		£7,362		
Total		£17,173		

Note: Bracknell recharge is lower than Reading and Wokingham as expenditure on legal advice relating to additional EfW is split only between Reading and Wokingham.

Appendix 4

2011/12 Draft Budget				
	BFBC	RBC	WBC	TOTAL
Baseline Payment	£ 2,362,207	£ 2,778,404	£ 3,032,566	£ 8,173,177
Recycling Payment	£ 350,873	£ 409,399	£ 422,921	£ 1,183,193
Efw Payment	£ 1,326,934	£ 2,253,784	£ 2,338,235	£ 5,918,953
Composting Payment	£ 385,586	£ 295,749	£ 597,520	£ 1,278,854
Landfill Tax	£ 851,490	£ 1,034,820	£ 842,122	£ 2,728,432
Landfill Gate Fee	£ 385,558	£ 468,570	£ 381,316	£ 1,235,444
Landfill Haulage	£ 169,269	£ 205,714	£ 167,407	£ 542,390
Beneficial Use Payment	£ 30,934	£ 51,837	£ 72,010	£ 154,780
Civic Amenity Site Payment	£ 369,356	£ 307,112	£ 561,050	£ 1,237,519
Waste Minimisation Payment	£ 54,828	£ 64,489	£ 70,388	£ 189,705
Hazardous Waste Pastthrough Rates	£ 69,736	£ 135,991	£ 194,023	£ 399,750
Additional works	£ 8,974	£ 12,369	£ 2,910	£ 24,253
RBC Trade Waste Collections	£ -	£ 226,492	£ -	£ 226,492
Rental income	-£ 394,119	-£ 242,535	£ -	-£ 636,654
Rental Payment	£ 174,061	£ 225,757	£ 236,835	£ 636,654
Royalty Payment	-£ 30,746	-£ 39,878	-£ 41,835	-£ 112,459
Contamination Payment	£ 24,516	£ 28,605	£ 29,550	£ 82,671
	£ 6,251,220	£ 8,361,635	£ 9,059,089	£ 23,671,945
PFI Grant	-£ 815,173	-£ 1,057,280	-£ 1,109,160	-£ 2,981,613
Total Budget 2011/12	£ 5,436,047	£ 7,304,355	£ 7,949,929	£ 20,690,332

Key Assumptions:

Inflation assumed at 5%.

Tonnage growth assumed at 0.7%.

10,000 additional Efw tonnes included (split 50:50 between RBC & WBC).

Based upon November 2009 User Survey.

Appendix 5

2011/12 Draft re3 Management Budget

2010/2011 Approved Budget	Description	2011/2012 Draft Budget
£		£
	Employees	
155,200	Salaries	146,100
11,400	NI	9,400
21,100	Super	15,300
3,000	Training	2,000
190,700		172,800
	Transport	
1,000	Car Allowances	1,000
1,000		1,000
	Supplies & Services	
3,500	Equipment	500
500	Stationery	500
60,000	Legal/Financial Advice	20,000
6,700	Maint of Computer Equipment	3,700
400	Mobile Phones	400
71,100		25,100
2010/11 Total Budget		2011/12 Total Budget
£ 262,800		£ 198,900

Reduction from 2010/11 Budget -£ 63,900 -24%

2011/12 Allocation of Management Costs		
BFBC	£	66,300
RBC	£	66,300
WBC	£	66,300
	£	198,900