

## **Financial Support to Blaenau Gwent CBC**

### **1. Introduction**

- 1.1 This paper has been produced to update earlier reports which identified financial support to Blaenau Gwent CBC and its predecessor authority since the inception of Silent Valley Waste Services Limited.
- 1.2 The analysis in this report identifies the level of support provided to 30<sup>th</sup> April 2023.
- 1.3 The elements of financial support are shown on table 1 attached to this report.

### **2. Current Position**

- 2.1 The subsidy from 2016/17 onwards identifies the non-recovery of overheads as well as on element of direct costs.
- 2.2 The Board decided in 2016 to support the Local Authority as it faced financial austerity measures that were imposed nationally by the United Kingdom Government. The Company discussed this approach with its Auditors as the effect of providing this support would ensure the Company traded at an operating loss. The support took the form of freezing its charges; therefore, an element of Direct Services Costs and no Overheads would not be recharged for the period 2016/17 and 2017/2018. The price base for recharging the one Civic Amenity Site at that time was on the basis of 2014, while the Transfer Station was on 2016 price basis. The Council nominated Directors undertook to grow the Environment Department budget so that no subsidy would be required from 2018/19.
- 2.3 The Local Authority requested that the Company continue the charging levels into the 2018/19 year and this continued up to the 31<sup>st</sup> March 2022 while the Local Authority carried out due diligence and a soft market testing exercise. The Company assisted in the process by providing a Business Plan in November 2020 and a subsequent Business case (August 2021) in the form of an Offer Letter, a fully costed Bill of Quantities and a detailed Service Delivery Plan. This eventually resulted in a report to the Council in February 2022, Which took the decision to transfer the Company back in-house.
- 2.4 It is understood the Chief Officer Resources requested a growth item of £400,000 in anticipation of the true cost of service provision for the 2022/23 financial year and ongoing. Consequently, the Company has budgeted for a break-even budget that should ensure its last year of trading will not be at an operating loss which is extremely positive from the Company's viewpoint.

- 2.5 The final trading period for the Company will be for a 13 month period with Account Closure as at 30<sup>th</sup> June 2023 to allow for the finalisation of Debtors and Creditors. This has been brought about due to a delay in the transfer process.
- 2.6 It is pleasing to report that the final trading period is likely to show a profit in excess of £100k which is excellent news for the Board.
- 2.7 The Company is likely to return in excess of £3m to the Council at closure which includes £1.6m currently in an escrow account with the remainder made up of Cash at Bank.
- 2.8 The positive news for the Board that the level of support provided to the Council upon closure will exceed £14m. The Board can take pride that from an initial investment of £250,000 this has resulted in a return of 5,600% which by any measure is outstanding.
- 2.9 From the attached table the Board can see the support has been a mixture of Reserve and Capital over a number of years. The biggest element has been the company's support of Leachate Disposal which exceeds £3.4m.

### **3. Conclusion**

- 3.1 The final trading period of the Company should show a profit in excess of £100,000. This is welcome news and proves that with full cost recovery the Company is profitable.
- 3.2 It is of some significant pride to the Board that the level of support to the Council upon closure will have exceeded £14m and should be acknowledged by the Council as an excellent investment.
- 3.3 The Board is asked to note the report.

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22<sup>nd</sup> June 2023