



## Dorset Waste Partnership Joint Committee

Date of Meeting	12 September 2016
Officers	Treasurer to the Dorset Waste Partnership and Finance and Commercial Manager, Dorset Waste Partnership
<b>Subject of Report</b>	<b>Financial Report September 2016</b>
Executive Summary	<p>This report presents and discusses the following –</p> <p><u>The risks of variance in spend against the 2016/17 revenue budget of £34.205M, agreed by the DWP Joint Committee in January 2016, which is currently assessed, based on the end of July 2016 budget monitoring position, at a potential for underspend of £733k. This shows an improvement on the position reported to the June 2016 Joint Committee meeting. The current prediction of underspend representing about 2.1% of the original budget. This is based on information that is now available since the budget was agreed. The most significant items being :</u></p> <p>Renewal of the HRC contract: £302k favourable  Reduction in winter HRC opening hours: £158k favourable  Reduction in capital charges in respect of bin life: £250k favourable  Slippage in capital programme: £152k favourable  Recyclate price to date: £48k favourable  Unanticipated disposal costs: £150k adverse</p>

	<p><u>Capital Budget Monitoring for 2016/17</u> - Expenditure of £75k has been incurred to date against an approved capital budget of £5.614M as agreed at Joint Committee December 2016. In addition, there has been £263k of expenditure on vehicles that have slipped from 2015/16.</p>
<p>Impact Assessment:</p>	<p>Equalities Impact Assessment:</p> <p>This report contains no new proposals and has no equalities implications.</p>
	<p>Use of Evidence:</p> <p>The report is based on data from the County Council's financial system and the management information systems used by the Dorset Waste Partnership. This is supplemented by information from service managers where necessary.</p>
	<p>Budget:</p> <p>A revenue budget of £34.205m was agreed by the DWP Joint Committee for 2016/17 and includes a requirement to achieve savings of £397k. Budget monitoring for 2016/17, to date, shows that there is a forecast underspend of £733k, representing a more optimistic position from that reported to the June 2016 Joint Committee Meeting.</p> <p>The effects of the Capital expenditure programme for 2016/17 are reflected in the capital charges line of the revenue budget monitoring (above).</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this information using the County Council's approved risk management methodology, the level of risk has been identified as:</p> <p>Current Risk: HIGH Residual Risk HIGH</p> <p>This assessment relates to the potential volatility of, in particular, the revenue budget for 2016/17 where some factors (e.g. recycle costs) could move in a significant adverse direction for the remainder of the year.</p>
	<p>Other Implications:</p> <p>No other implications have been identified.</p>

Recommendations	The DWP Joint Committee is asked to: <ol style="list-style-type: none"> <li>1. To note the current 2016/17 revenue budget forecast.</li> <li>2. To note the capital expenditure position for 2016/17 to date.</li> </ol>
Reason for Recommendations	The Joint Committee monitors the Partnership's performance against budget and scrutinises actions taken to manage within budget on behalf of partner Councils.
Appendices	Appendix 1 – DWP Capital spend and commitments
Background Papers	None
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## 1. Background

- 1.1 The Dorset Waste Partnership is now in its sixth year of operation. The Recycle for Dorset service has now been rolled out to all 201,000 properties in Dorset.
- 1.2 The Joint Committee of 14 December 2015 agreed a revenue budget of £34.205m for 2016/17.

## 2. 2016/17 Revenue Budget forecast

- 2.1 Based on 2016/17 data to date there is a forecast underspend for 2016/17 of £733k on an originally approved budget of £34.205M. Further detail is given on each identified variance in the paragraphs below.
- 2.2 The Joint Committee of 29<sup>th</sup> February 2016 received an update on Service Level Agreements for Support Services for the DWP, within the Financial Report. The update indicated that, following a robust costing and pricing exercise with Dorset County Council, the support service costs for DWP for 2016/17 would exceed the budget by £9k, as a result of additional services requested by the DWP. The work also identified a number of areas for potential support service cost savings that are currently being explored, with the intention to reduce costs for the 2017/18 budget.

- 2.3 Nationally advertised recruitment campaigns for senior posts have incurred £18k of unbudgeted expenditure.
- 2.4 The capital charges budget line will benefit by £250k from the decision to change bin life write off from 10 years to 15 years.
- 2.5 Recyclate prices vary each month depending on the market value at that time and the quality of the DWP material. The 2016/17 budget was set on the assumption of a price of £20 per tonne. Prices for the year to date have been favourable in relation to the budget set, with the effect of saving £48k in the year to date.
- 2.6 On 29<sup>th</sup> February 2016, the Joint Committee received a report regarding the award of a new HRC contract to take effect from 28<sup>th</sup> August 2016. The award of that contract will see a favourable budget variance of £302k in this financial year (£518k in a full year) and a further £158k in relation to the decision to reduce opening hours during the winter.
- 2.7 The current year budget anticipated that the use of the landfill site at Trigon (near Wareham) would cease at the end of August 2016, as that site prepares to close down permanently. The budget anticipated that the waste would primarily be diverted to the facility at NES (Canford) under a contract variation. Unfortunately, due to changes in ownership of the NES facilities, the contract variation is unlikely to be in place before January 2017, meaning that alternative (and more expensive) disposal arrangements need to be in place for the intervening months. An exact cost is not known as arrangements are being made at the time of writing, however it is prudent to expect an additional revenue cost of around £150k in total for those intervening months.
- 2.8 The capital budget for 2016/17 made certain assumptions regarding progress on the development and construction of a scheme for a new depot and other waste facilities at Blandford. Those assumptions now look optimistic, and it looks likely that the full extent of anticipated capital charges will not be incurred in 2016/17. A figure of £40k is shown as anticipated underspend, but will be subject to refinement as and when more information on the programme and costs for the scheme become known.
- 2.9 Vehicles ordered as part of the 2016/17 vehicle replacement programme are anticipated to arrive around November / December 2016. A favourable variance in capital financing costs of £112k is estimated to arise as a result.
- 2.10 The table below summarises the items where a significant variance has been identified.

Item	Significance (relative to the size of the overall budget)	Probability of occurrence	Current risk of variance £k	Notes / Management Action / Mitigation (where possible)
Support Service costs	Green	Highly Likely	9	Agreed additional support
Advertising costs	Green	Highly Likely	18	Need to advertise for Director and Head of Service (Strategy)

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Savings arising in capital charges on bin life	Green	Certain	-250	Ongoing effect of change in bin life assumptions from 10 years to 15 years
Recyclate price savings to date	Green	Possible	-48	Current price below assumed price of £20 per tonne.
HRC new contract	Green	Certain	-302	Favourable contract price
HRC contract – reduced winter hours	Green	Certain	-158	Joint Committee decision
Additional disposal costs following landfill closure at Trigon	Amber	Possible	150	Arrangements were in place for this waste to be taken to NES at Canford under a variation to contract, however that contractor is unable to accept additional tonnage at the current time. Variation is expected to be in place by January 2017.
Further slippage on Blandford Waste Management Centre	Green	Possible	-40	DWP managers to advance scheme as quickly as possible
Slippage on vehicle purchases	Green	Possible	-112	DWP managers to advance purchases as quickly as possible
<b>TOTAL</b>			<b>-733</b>	<b>Forecast underspend</b>

The share of the current underspend by partner according to the agreed costs share would be –

Local Authority	Cost Share percentage (%)	Share of forecast underspend (£)
Dorset County Council	<b>64.32%</b>	471,466
Christchurch BC	<b>3.99%</b>	29,247
East Dorset DC	<b>5.94%</b>	43,540
North Dorset DC	<b>5.40%</b>	39,582
Purbeck DC	<b>4.07%</b>	29,833
West Dorset DC	<b>8.98%</b>	65,823
Weymouth & Portland BC	<b>7.30%</b>	53,509

### 3. Risks

- 3.1 At the time of writing, some risk is emerging around the price of vehicle diesel. The current year budget was set partly using forecasts from the FTA (Freight Transport Association), which indicated a relatively steady price of 87p per litre for most of 2016/17. Following the EU Referendum and movements in sterling, forecasts are now up to 91p per litre by the end of 2016/17 and increases beyond that. With a fuel budget of around £1.5m per annum, even small increases can impact the DWP budget significantly. The situation will continue to be monitored.

### 4. Savings

- 4.1 Included within the 2016/17 revenue budget was the need to achieve £397k of savings in a number of areas of operation. For reference, the table of savings is repeated below.

£131,250	Charging for non-household materials at HRCs (part year effect)
£74,000	Discontinue recycling credit payments
£15,000	Security arrangements
£166,667	Route optimisation – East Dorset and Christchurch (part year effect)
£10,000	Street sweepings to different destination
<b>£396,917</b>	<b>Total savings for 2016/17 budget</b>

- 4.2 All savings listed above are considered as ‘implemented’ and have been applied to the appropriate budget lines. The achievement of these savings can be considered as ‘certain’ with the exception of the savings associated with the route optimisation exercise at East Dorset and Christchurch, which has only just been implemented at the time of writing, and further monitoring is required to judge whether the expected levels of savings will be realised.

- 4.3 The level of savings for 2016/17 was relatively small compared to the total DWP budget. This level of saving was supported by the Joint Committee in view of the wider savings achieved by the Recycle for Dorset scheme, and other cost pressures within the DWP operating environment at that time, but with the expectation that DWP continue to develop cost saving initiatives for future consideration.
- 4.4 At the time of writing, the DWP, is awaiting direction from partner council Leaders and Chief Executives on the level of savings that the DWP is expected to deliver. Running parallel to this, DWP officers are working on savings priorities with guidance from Commissioning Group colleagues. This work is to be discussed further at an informal session with Joint Committee members on the afternoon of 12th September 2016.

## 5 Capital Budget 2016/17 to date

- 5.1 Capital spend and commitments for the year to date can be seen at Appendix 1.
- 5.2 Spend to date amounts to £338k. Of this, £263k of spend (on vehicles) is slippage from the previous financial year, meaning that £75k is spend against 2016-17 capital expectations. Commitments of just under £2.7m for vehicles place total spend and commitments to date at £2.774m against a forecast (as presented to Joint Committee in October 2015) of £5.6m for the full year.
- 5.3 Orders for the 2016/17 vehicle replacement programme have been placed. Although originally estimated at £3.3m, the vehicle requirements were further refined prior to the procurement exercise. The orders placed amounted to just under £2.7m.
- 5.4 Infrastructure spend is almost nil to date. The only major planned item is the development of a scheme at Blandford.
- 5.5 Capital spend, and the effect on the revenue budget, will continue to be monitored as the year progresses.

## 6. Budget Equalisation Reserve

- 6.1 At the end of financial year 2015/16, Joint Committee agreed to set up a budget equalisation reserve. The following funds are currently held in the reserve:

Local Authority	Amount held in Budget Equalisation Reserve (£)
Dorset County Council	<b>336,587</b>
Christchurch BC	<b>20,316</b>
East Dorset DC	<b>30,863</b>
North Dorset DC	<b>27,382</b>
Purbeck DC	<b>20,835</b>

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West Dorset DC	<b>37,982</b>
Weymouth & Portland BC	<b>45,620</b>
<b>Total</b>	<b>519,584</b>

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August 2016