



Dorset Waste Partnership Joint Committee

Date of Meeting	16 January 2017
Officers	Director of the Dorset Waste Partnership
Subject of Report	Finance and Performance Report January 2017
Executive Summary	<p>This report presents and discusses key performance trends and risks of variance in income and expenditure against the 2016/17 revenue budget of £34.205M.</p> <p>At end of November 2016 there is predicted underspend on the revenue budget for the year of £1.28M (3.7% of the original budget). This is an improvement of £70k since September 2016.</p> <p>Collection costs: on target</p> <p>Disposal costs: favourable</p> <p>Renewal of the HRC contract: £302k favourable; Reduction in winter HRC opening hours: £158k favourable; Recyclate price to date: £264k favourable; Unanticipated disposal costs: £150k adverse Variance in tonnages of waste disposed of : £159k adverse</p> <p>Trading Accounts: favourable</p> <p>Garden Waste: £157k favourable; Commercial Waste: £306k favourable</p> <p>Savings: adverse</p> <p>Most of the savings required for 2016/17 have been achieved except for some potential underachievement in route optimisation in East Dorset and Christchurch, which is balanced by predicted underspends on other related collection costs.</p>

	<p>Capital: favourable Reduction in capital charges in respect of bin life: £250k favourable; Slippage in capital programme: £152k favourable</p> <p>Management and admin: on target</p>
<p>Impact Assessment:</p>	<p>Equalities Impact Assessment:</p> <p>This report contains no new proposals and has no equalities implications.</p> <hr/> <p>Use of Evidence:</p> <p>The report is based on data from Dorset 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> <hr/> <p>Budget:</p> <p>Revenue Budget 2016/17 – a budget of £34.205m was agreed by the DWP Joint Committee and includes a requirement to achieve savings of £397k. At the end of November 2016 there is potential for an under-spend for the year of £1.28m. Capital Budget 2016/17 – a budget of £5.614m was agreed by DWP Joint Committee - expenditure of just over £3m has been incurred to date. The effects of the Capital expenditure programme for 2016/17 are reflected in the capital charges line of the revenue budget.</p> <hr/> <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: LOW</p> <p>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 still move in a significant adverse direction for the remainder of the year.</p> <hr/> <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"> 1. Note the current 2016/17 revenue budget forecast. 2. Note current performance levels. 3. Note the capital expenditure position for 2016/17 to date.
Reason for Recommendations	The Joint Committee monitors the Partnership's performance against budget and key performance indicators, and scrutinises actions taken to manage within budget on behalf of partner Councils.
Appendices	Appendix 1 - Assurance statement by the Treasurer Appendix 2 – Revenue Budget – Major Variances Appendix 3 – Key Performance and Budget Drivers Appendix 4 - DWP Capital spend and commitments Appendix 5 – Budget Risks and Mitigations Appendix 6 – Budget Timetable
Background Papers	None
Report Originator and Contact	Karyn Punchard, Director Dorset Waste Partnership Tel: 01305 225459 Email: k.punchard@dorsetwastepartnership.gov.uk

1. Background

- 1.1 The Joint Committee of 14 December 2015 agreed a revenue budget of £34.205m for 2016/17. An assurance statement from the Treasurer is provided at Appendix 1.
- 1.2 Based on 2016/17 data to date there is a forecast underspend for 2016/17 of £1.28m on an originally approved budget of £34.205m. This is an improvement of £70k since September 2016, as reported to Joint Committee on 7 November 2016, which reported a favourable forecast of £1.21M. Further detail on major budget variances is provided in Appendix 2.

2. Collection Costs

- 2.1 Collection costs are on target and there are currently no significant budget variances forecast.
- 2.2 There are a number of items on the collection side of the budget which are kept under frequent review, due to the potential to create a budget variance. These include:
 - 2.3 Vehicle fuel. The start of the year saw very favourable prices, however the price has increased since that time so we are now starting to pay more / litre than assumed in the budget, having paid less than budget for most of this financial year. Ongoing price monitoring takes place and we are still on target.

- 2.4 Use of agency staff. Agency staff are used for various reasons, including additional street cleansing (and resort cleansing) efforts on a seasonal basis, and sickness levels. Again, ongoing monitoring takes place, and no significant budget variance is expected at this stage.

3. Disposal Costs

- 3.1 Overall disposal costs are favourable. The most volatile elements on the disposal side are the recycle price and tonnages which are monitored in detail (see Appendix 3).
- 3.2 Recyclate prices paid 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 paid of £20 per tonne. Prices paid for the year to date have been favourable in relation to the budget set, with the effect of saving £264k in the year to date.
- 3.3 There is now a forecast adverse variance in the tonnage of waste collected and then disposed, against the assumptions made when the 2016/17 budget was set. It is estimated that this will cost an additional £159k. A more detailed breakdown is shown in Appendix 3.
- 3.4 Other variances on disposal include the award of a new HRC contract that 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.
- 3.5 In addition there are unanticipated disposal costs of £150K. The current year budget anticipated that the use of the landfill site at Trigon (near Wareham) would cease at the end of August 2016, and waste would be diverted to the facility at NES (Canford) under a contract variation, which is cheaper than landfill. Unfortunately, due to changes in ownership of NES (Canford), the contract variation is unlikely to be in place before February 2017, meaning that alternative (and more expensive) disposal arrangements need to be in place for the intervening months.

4. Trading Accounts

- 4.1 Trade Waste net income is predicted to be more buoyant than the budget with a prediction of an additional £306k due to the growth in the service.
- 4.2 Garden Waste net income is also predicted to be more buoyant than the budget with a prediction of an additional £157k due to a growth in the number of customers subscribing to the service in East Dorset and Christchurch. Ongoing monitoring of resource requirements is taking place following the round changes at East Dorset and Christchurch.

5. Savings

- 5.1 Included within the 2016/17 revenue budget was the need to achieve £397k of savings in a number of areas of operation. These are set out 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
£396,917	Total savings for 2016/17 budget

- 5.2 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, however this is balanced by predicted underspends on other related collection costs.
- 5.3 The level of savings for 2016/17 was relatively small compared to the total DWP budget. In year budget savings continue to be pursued. A Budget Challenge Workshop was held with members on 1 July 2016 to help set priorities for longer term service changes and savings.

6 Capital Budget 2016/17

- 6.1 Capital spend and commitments for the year to date can be seen at Appendix 4.
- 6.2 Spend to date amounts to £725k. Of this, £461k of spend (on vehicles) is slippage from the previous financial year, meaning that £263k is spend against 2016-17 capital expectations. Commitments of just over £2.7m for vehicles place total spend and commitments to date at just over £3m against a forecast of £5.6m for the full year.
- 6.3 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.
- 6.4 Minor infrastructure spend is almost just over £98k to date. The only major planned item is the development of a scheme at Blandford, which is now unlikely to see construction costs incurred before 2018/19.

7. Capital Spend – Impact on Revenue Budget

- 7.1 The capital charges budget line is favourable and will benefit by £250k from the decision to change bin life write off from 10 years to 15 years.
- 7.2 The capital budget for 2016/17 made certain assumptions regarding progress on the development and construction of a scheme for a new depot and transfer facilities at Blandford. Those assumptions now look optimistic, and it is 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.
- 7.3 The majority of vehicles ordered as part of the 2016/17 vehicle replacement programme were delivered in November/December 2016 and are now operational, with the remainder due for delivery in January 2017. A favourable variance, due this timing slippage, in capital financing costs of £112k is estimated to arise as a result.

8. Budget Equalisation Reserve

- 8.1 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:

Finance & Performance Report January 2017

Local Authority	Amount held in Budget Equalisation Reserve (£)
Dorset County Council	336,587
Christchurch BC	20,316
East Dorset DC	30,863
North Dorset DC	27,382
Purbeck DC	20,835
West Dorset DC	37,982
Weymouth & Portland BC	45,620
Total	519,584

Karyn Punchard
Director
Dorset Waste Partnership

January 2017