



Dorset Waste Partnership Joint Committee

Date of Meeting	23 March 2017
Officers	Director of the Dorset Waste Partnership
Subject of Report	Finance and Performance Report March 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 February 2017 there is a predicted underspend on the revenue budget for the year of £2.656M.</p> <p>Collection costs: favourable</p> <p>Operations revenue budgets, primarily consisting of pay costs for 310 FTE operational staff, are forecast to underspend by around £200k.</p> <p>The net effect of fluctuations in the vehicle fuel prices, which were very good prices at the start of the year, but which have steadily worsened since, are expected to give rise a favourable variance of around £175k.</p> <p>Other transport related expenditure is expected to give rise to a favourable variance of around £175k.</p> <p>Disposal costs: favourable Renewal of the HRC contract: £302k favourable;</p>

	<p>Reduction in winter HRC opening hours: £158k favourable; Recyclate price to date: £402k favourable; Variance in the waste disposal budget including volume of tonnages, gate fees and associated haulage costs £486k favourable.</p> <p>Trading Accounts: favourable Garden Waste: £223k favourable; Commercial Waste: £288k favourable</p> <p>Savings: adverse Most of the savings required for 2016/17 have been achieved, with the exception of the savings target for route optimisation in East Dorset and Christchurch, for which actual savings achieved are approximately half of the original target. The budget has been adjusted accordingly for future years. The additional costs incurred in this year are contained within the existing collection costs budgets.</p> <p>Capital: favourable Reduction in capital charges in respect of bin life: £250k favourable; Slippage in capital programme: £152k favourable</p> <p>Other central costs: adverse Forecast to be £155k adverse, primarily due to pressure on the salaries budget and the cost of agency staffing.</p> <p>Summary: favourable Many of these savings and favourable variances have been reflected in the agreed base budget for 2017/18. It is not therefore anticipated that any underspends next year, if any, will be of a similar scale.</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 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> <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 February 2017 there is potential for an under-spend for the year of £2.656m.</p>

	<p>Capital Budget 2016/17 – a budget of £5.614m was agreed by DWP Joint Committee - expenditure of just over £3.2m 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> <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 LOW</p> <p>This assessment relates to the potential volatility of, in particular, the revenue budget for 2016/17 where some factors (e.g. recyclate costs) could still move in an adverse direction for the remainder of the year, but acknowledging that there is only a small portion of the year now left.</p> <p>Other Implications:</p> <p>No other implications have been identified.</p>
<p>Recommendations</p>	<p>The DWP Joint Committee is asked to:</p> <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.
<p>Reason for Recommendations</p>	<p>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.</p>
<p>Appendices</p>	<p>Appendix 1 - Assurance statement by the Treasurer Appendix 2 – Revenue Budget – Major Variances Appendix 3A – Key Performance and Budget Drivers Appendix 3B – Recyclate Price and Disposal Budget Breakdown Appendix 4 - DWP Capital spend and commitments Appendix 5 – Budget Risks and Mitigations Appendix 6 – Budget Timetable</p>
<p>Background Papers</p>	<p>None</p>

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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 £2.656m on an originally approved budget of £34.205m. This is a significant improvement since the November 2016 position as reported to Joint Committee on 16 January 2017, which reported a favourable forecast of £1.28M. Further detail on major budget variances is provided in Appendix 2.

2. Collection Costs

- 2.1 Operations revenue budgets, primarily consisting of pay costs for 310 FTE operational staff, are forecast to underspend by around £200k. This represents a 2.3% variance on a £8.6m budget. This underspend is due, in part, to vacancies being filled by permanent staff rather than agency now rounds are settled. In addition a number of long term sick have returned to work, reducing the requirement for agency cover, and operations managers have made efforts to improve attendance, and minimise overtime and agency spend.
- 2.2 The net effect of fluctuations in the vehicle fuel prices, which were very good prices at the start of the year, but which have steadily worsened since, are expected to give rise a favourable variance of around £175k.
- 2.3 Other transport related expenditure is expected to give rise to a favourable variance of around £175k. This is largely around vehicle maintenance and to a lesser extent damages on leased vehicles.

3. Disposal Costs

- 3.1 Overall disposal costs are favourable. The most volatile elements on the disposal side are the recyclate 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 £402k in the year to date.
- 3.3 The forecast variance for waste disposal, primarily relating to the tonnage of waste disposed of (and the associated gate fees), and associated haulage costs, is favourable against the assumptions made when the 2016/17 budget was set, estimated at £486k favourable variance. The main reason for the change is a very favourable price for HRC residual waste that has been dealt with directly by the contractor as part of the new HRC contract, since September 2016.

- 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.

4. Trading Accounts

- 4.1 Trade Waste net income is predicted to be more buoyant than the budget with a prediction of an additional £288k due to the growth in the service. This is a very minor changes from the previously reported position.
- 4.2 Garden Waste net income is also predicted to be more buoyant than the budget with a prediction of a favourable variance of £223k.

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 more than off-set 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 £3.215m. The original estimate for the year, when the capital programme for this year was presented back in October 2015, was £5.6m for the full year. The main reasons for the reduction in spend is slippage in relation to the proposed scheme at Blandford (which is now unlikely to see construction costs incurred before 2018/19) and the vehicle replacement programme prices being favourable compared to the original estimate.
- 6.3 It should also be noted that £50k allocated for replacement ICT systems will also slip beyond the current financial year, whilst the business case is developed.

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 were optimistic, and it is now clear that the full extent of anticipated capital charges will not be incurred in 2016/17. A figure of £40k is shown as anticipated underspend.
- 7.3 All vehicles ordered as part of the 2016/17 vehicle replacement programme have been delivered and are now operational. As reported previously, a favourable variance due to the timing of vehicle delivery has resulted in estimated slippage of £112k in capital financing costs.

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:

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

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