



Councils working together

Dorset Waste Partnership Joint Committee

Date of Meeting	6 November 2017
Officer	Treasurer to the Dorset Waste Partnership
Subject of Report	Medium Term Financial Plan 2018/19 - 2022/23
Executive Summary	<p>This report presents and discusses the following:</p> <ul style="list-style-type: none"> • The projected net costs of the DWP through to the year 2022/23 on the assumption that the service continues in its present form. • The Medium Term Financial Plan includes assumptions on cost drivers and levels of income that will potentially need reassessment in the light of further information including market conditions that may be available at a later date. For example, the Garden Waste and Commercial Waste services may need to be revisited in the light of later information and strategic direction. • The report does not consider the future funding position of partner councils nor the potential for change in the organisation of local government within the geographical county of Dorset. • The MTFP, based on the assumptions described, shows the net cost of the service will range from around £33.1m (2018/19) to around £37.6m (2022/23) on the assumption that the 2018/19 budget will be set at £33.1m. The projected annual costs per household are between £161 (2018/19) and £179 (2022/23).
Impact Assessment:	Equalities Impact Assessment: This report contains no new proposals and has no equalities implications.

Medium Term Financial Plan 2018/19 to 2022/23

	<p>Use of Evidence: The report is based on data from the County Council's financial system and the systems used by the DWP to monitor, for example, waste arising and income from recyclates. This is supplemented by information from service managers where necessary.</p> <p>Budget:</p> <p>The MTFP, based on the assumptions described, shows the net cost of the service will range from around £33.1m (2018/19) to just around £37.6m (2022/23). This does not take account of changes which may impact arising from any variation from the current service delivery model.</p> <p>Risk Assessment:</p> <p>Having considered the risks associated with this decision 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 the budget in future years and the potential need to find a significant level of further savings in each year to meet future partner funding expectations.</p> <p>Other Implications:</p> <p>No other implications have been identified.</p>
<p>Recommendation</p>	<p>The DWP Joint Committee is asked to:</p> <p>Consider and adopt the Medium Term Financial Plan 2018/19 to 2022/23 as set out in this report.</p>
<p>Reason for Recommendation</p>	<p>The Joint Committee along with the Management Board monitors the Partnership's performance against budget and scrutinises actions taken to manage within budget on behalf of partner Councils.</p>
<p>Appendices</p>	<p>Appendix 1 – Medium Term Financial Plan projections 2018/19 to 2022/23. Appendix 2 – Household growth and gap from standstill budget</p>
<p>Background Papers</p>	<p>None</p>

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1. Background

- 1.1 The Dorset Waste Partnership brings together six District and Borough Councils and the County Council to work in partnership and manage the waste collection and disposal arrangements for Dorset residents. The domestic Recycle for Dorset service is expected to serve around 205,000 properties in Dorset in 2018/19.
- 1.2 This report contains an annual refresh of the Medium Term Financial Plan (MTFP) and present it to this committee for their consideration and adoption, to highlight the longer term financial direction of the DWP.
- 1.3 The main thrust of the proposed MTFP (detail shown in Appendix 1) is to present the projected net costs of the DWP on the assumption that it continues to operate in a similar way to that proposed in 2018/19, offering similar service to the public over the lifetime of the plan. Should partner funding in future years need to be constrained below the currently projected cost of the service, then further discussions will be required regarding how changes to the service model can achieve this.
- 1.4 These figures presented in this MTFP are a snapshot at this point in time, based on best knowledge of various factors at the time of writing, some of which cannot be known with certainty. As a result, the MTFP requires refreshing annually to take into account latest information known at that time. Nonetheless, the MTFP figures should provide a useful guide to Joint Committee and partner councils of the direction of the DWP budget requirement, as far as it possible to do so. Details of the cost pressures and assumptions are given below.

2. Cost pressures

- 2.1 The main cost pressures, and assumptions made in the MTFP regarding these pressures, are detailed here.
- 2.2 **Pay award.** The DWP directly employs almost 400 staff in both frontline roles (loaders, drivers, and street cleaners) and staff in non-frontline roles, both at depots and at the headquarters office. The current pay assumption is that the nationally agreed pay awards continue at 1 per cent, as per recent years. However, there is considerable, as yet unsubstantiated, speculation of pay awards at higher than 1 per cent for the local government workforce, which would add further cost to the figures presented here if they were to emerge. An additional 1%, for example, would add around £114k to the 2019/20.
- 2.3 In addition, the annual increase in the national 'living wage' requirements brings pressure to the DWP budget regarding lower paid operatives in the workforce. The government aims to bring about an hourly rate of pay of £9 per hour by 2020, having the effect of bring the pay of loaders and street cleaners pay up to a similar level to that of drivers. Any implications, which are likely to be significant, for the pay spine are not yet known, and therefore cannot be included in the MTFP figures as yet.
- 2.3 **Inflation.** Approximately half of the DWP budget is tied up in contracts, either though the provision of HRC and transfer station functions, or in disposal contracts

for tonnage. The prevailing inflation rate therefore potentially has a significant effect on the DWP budget. The rate used in the figures here is 2.25% through to 2022/23, though this needs to be kept under review.

2.4 **Household growth.** Household growth affects the DWP budget in a number of different ways:

Collection costs for new developments can be absorbed where spare capacity exists on a round, but additional costs of about £225k are incurred where a new round is required, based on the 'phase 2' model of two RCVs (refuse, and recycling) and a food waste vehicle plus crewing. A collection round can typically deal with 700+ households (rural) to 1000+ households (urban). The current MTFP assumes that an additional round is required each year to provide capacity for dealing with new developments actually built as opposed to planned. However this could need more or less depending on where the development takes place and levels of spare capacity in those areas, as well as local arrangements for tipping.

Regarding disposal costs, every new household is assumed to add 'typical' levels of additional waste to the various waste streams, and the cost of tonnage (gate fees and haulage) that is associated with this.

There is a final factor, which is that the amount of 'typical' waste produced per household is known to vary in accordance with wider changes in society, partly driven by the prevailing economic conditions at that time. These changes are, by their nature, extremely difficult to predict, and therefore waste per household is assumed to remain as per 2018/19 levels for the purposes of this MTFP.

The MTFP assumes an additional 1250 households are serviced across Dorset per annum. This is in line with the Waste Management Strategy, but, once again it should be noted that it is not possible to predict exactly when new developments will 'go live' with great certainty, so there is some degree of variation expected here on a year on year basis.

2.5 **Other volatile factors.** Members will be aware that there are a number of other cost factors with volatility that affect the DWP budget, such as cost/income for recycle, and vehicle fuel prices. Predicting these costs in the longer term is extremely difficult, and therefore this MTFP assumes that these prices remain as per the 2018/19 budget. Such factors are likely to vary in the longer term, and is another reason to review the MTFP annually.

2.6 **Capital costs.** Capital expenditure costs for the DWP are funded by borrowing via the host authority, with repayments taking place through the revenue account according to the life of the asset. Whilst this covers capital expenditure on items such as infrastructure, bins, and ICT, in practice the majority of capital spend since the inception of the DWP has been in relation to the vehicle fleet, with borrowing for vehicles being charged to the revenue account over seven years, in accordance with the expected life of the vehicles. This MTFP assumes that by the year 2020/21 (and with a part year effect in 2021/22) the entire DWP fleet has been 'paid for' and that any new purchases on a 'like for like' basis, with capital repayments for vehicles therefore 'flattening out' at that stage.

3. Local government reorganisation

- 3.1 This MTFP ignores any potential changes that might arise from decisions around local government reorganisation.

4. Appendix 2

- 4.1 Appendix 2 illustrates the MTFP showing the expected DWP budget requirement, the overall increase in budget requirement, and the element of that increase which is directly attributable to household growth.
- 4.2 The green line is illustrative only, and represents “a standstill budget” of £33.1m for the period of the MTFP. The graph illustrates the gap in funding if, for example, partner funding was unable to increase over the period of the MTFP, and that the current model of service delivery would become unsustainable in that situation.

5. Summary

- 5.1 Due to the various cost pressures described above, the MTFP shows that the revenue budget requirement for the current service model is on an upward trend, suggesting that the net cost of the service will range from around £33.1m (2018/19) to around £37.6m (2022/23). The projected annual costs per household are between £161 (2018/19) and £179 (2022/23).
- 5.2 Partner councils are asked to note the assumptions made, and the indications of budget requirement for future years.

Andy Smith
Treasurer to the Dorset Waste Partnership

October 2017