



Dorset Waste Partnership Joint Committee

Date of Meeting	15 January 2018
Officers	Director of the Dorset Waste Partnership
Subject of Report	Finance and Performance Report January 2018
Executive Summary	<p>This report presents and discusses key financial performance trends and risks of variance in income and expenditure against the 2017/18 revenue budget of £33.1M.</p> <p>At the end of November 2017 there is a predicted underspend on the revenue budget for the year of £1.372m. This is only a minor change from the previously reported figure of £1.347m, however there are a number of budget lines that are particularly volatile, meaning that there is potential for this figure to change further before the year ends. The report gives further detail of the reasons for this.</p>
Impact Assessment:	<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</p>

	<p>by the Dorset Waste Partnership. This is supplemented by information from service managers where necessary</p> <p>Budget:</p> <p>For 2017/18, a revenue budget of £33.1m was agreed by the DWP Joint Committee. Based on information known at the end of November 2017, there is potential favourable variance of £1.372m.</p> <p>For 2017/18, a capital budget of £2.682m was agreed by Joint Committee in November 2016, and this was amended by Joint Committee in June 2017 with the additional inclusion of a sum for the procurement of a replacement ICT system and associated in-cab technology, at £146.5k, bring the capital budget expected spend to £2.828m. This report shows total spend to date plus commitments is at £2.8m.</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: MEDIUM</p> <p>Residual Risk MEDIUM</p> <p>This assessment relates to the potential volatility of a number of factors, in particular, the price paid/income received in respect of recycle, for which the price is largely determined by international market conditions. Nonetheless, it is acknowledged that, even with further variations, the likelihood is that the overall budget position will remain favourable for this financial year.</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 2017/18 revenue budget forecast. 2. Note the capital expenditure position for 2017/18 to date. 3. Note that there will be a request at year end for a ring fenced specific carry forward of up to £75k for contract related technical advice.
<p>Reason for Recommendations</p>	<p>The Joint Committee monitors the Partnership’s performance against budget and key performance indicators, and scrutinises</p>

	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 – Budget variance by partner council Appendix 4 – Budget position summary infographic Appendix 5 - DWP capital spend and commitments Appendix 6 – Budget Risks and Mitigations Appendix 7 – 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 16 January 2017 agreed a revenue budget of £33.1m for 2017/18. Based on 2017/18 data to date there is a forecast underspend of £1.372m to the end of the year. An assurance statement from the Treasurer is provided at Appendix 1 and further detail on major budget variances is provided in Appendix 2.
- 1.2 A breakdown of the forecast underspend by partner council is provided at Appendix 3. Note that the share by partner is adjusted by the agreed variations, which are in respect of street cleaning at North Dorset District Council (£20k) and a change of arrangements in respect of public toilet facilities at East Dorset District Council (£41.6k).

2. Waste disposal

- 2.1 The effect of inflation in 2017/18 over and above the budgeted 1% is calculated to cost the DWP an additional £39k in respect of management fees at Household Recycling Centres. Previous finance reports had estimated the effect of inflation on gate fees and haulage from September onwards, however, given that this point in time has now passed, the effect of inflation is built into invoices going forward, and the separate budget variance line is eliminated.
- 2.2 A change of contractual arrangement for glass recycling is forecast to bring in around £78k of additional income by the end of 2017/18. Glass was budgeted as a net nil cost.
- 2.3 Members will be aware that the price that the DWP pays to dispose of recyclate varies on a monthly basis. Whilst this creates a lack of certainty in budgeting terms, the current arrangement is generally recognised as providing the DWP with favourable prices in comparison to the wider market, partly influenced by the relatively good quality of the product. The current forecast has worsened to a £377k favourable variance to year end, down from a forecast of £550k at last Joint Committee, with the DWP having recently received the worst monthly price in the year to date.

- 2.4 Whilst there is no definitive view on how the recyclate price will behave in the final part of the year, there is pessimism due to the effect that the Chinese recyclate import changes are having on the wider international market. Looking specifically at mixed plastic and mixed paper, China is a major global reprocessing hub for these commodities. Should their import restriction on these tighten (the National Sword programme) and be strictly enforced there are limited alternative outlets available at this time. This will put pressure on the remaining re-processors who will be at capacity leaving a glut of these materials in the short term. This glut will force down the commodity value which in turn will increase any fee or reduce any rebate for the DWP.
- 2.5 Income from other recycled card, cans and plastics is also expected to generate a favourable variance of £30k.
- 2.6 Favourable variances are predicted in respect of tonnages of waste arising and associated haulage costs, estimated at £652k overall. This includes favourable prices due to a contractual change in disposal volumes with one of the DWPs key disposal outlets.
- 2.7 As noted at the last Joint Committee, for the purposes of budget monitoring a sum of £75k is currently assumed to be either fully spent or carried forward in respect of technical advice for disposal contract renewals. If the request to carry forward is not approved, then the available underspend will increase by a further £75k. The request will be made formally as part of the June 2018 Joint Committee finance paper.

3. Container charging

- 3.1 The container charging service went live in late June 2017, following on from the decision made by Joint Committee in January 2017 to implement this new service. The year 2017/18 is seeing some one-off development costs, and a part year effect in terms of income. At the time of writing, an adverse variance of around £50k is anticipated.

4. Trading Accounts

- 4.1 The financial performance of the Commercial Waste service is anticipated to be £85k favourable over and above the budgeted net cost of delivery. This is a reduction from the previous Joint Committee finance report, as a result of the investment costs of the new ICT system previously agreed by Joint Committee.
- 4.2 The financial performance of the Garden Waste service is anticipated to be £152k favourable over and above the budgeted net cost of delivery. This is a reduction from the previous Joint Committee finance report, as a result of the investment costs of the new ICT system previously agreed by Joint Committee.

5. Property budgets

- 5.1 The property budgets have seen unbudgeted utility rebate amounting to £90k.

6. Other minor variances

- 6.1 Other minor variances identified to date include a forecast of underspend in the Operations and Street Cleansing budgets (£60k) partly caused by additional commercial income, and increased overheads on central budgets (£63k), including

unfunded expenditure on additional temporary waste enforcement posts previously agreed by Joint Committee.

6.2 Appendix 4 summarises the latest forecast position in infographic format.

7. Capital Budget 2016/17

7.1 Capital spend and commitments for the year to date can be seen at Appendix 5.

7.2 Spend to date and commitments amounts to £2.801m against planned spend of £2.828m. Some key issues are highlighted below:

7.3 Major new facility planned for Blandford. Professional fees are now being incurred in preparation for the major aspects of the scheme but there is uncertainty in relation to price and timescales for the major build, anticipated in future years.

7.4 Replacement ICT system and in-cab technology. At the time of writing this report, the procurement process has come to an end, and an order will be placed with the successful vendor shortly. Whilst the overall price was within budget, a payment profile has not yet been agreed, meaning that the price and timescales shown here may change.

7.5 Spend on containers to date is low, meaning that there is potential for an underspend to occur. This area of spending will be kept under review.

8. Budget Equalisation Reserve

8.1 The Joint Committee are reminded that the following funds are currently held in the reserve:

Local Authority	Amount held in Budget Equalisation Reserve (£)
Dorset County Council	645,591
Christchurch BC	39,485
East Dorset DC	59,400
North Dorset DC	53,324
Purbeck DC	40,388
West Dorset DC	81,123
Weymouth & Portland BC	80,690
Total	1,000,000

Karyn Punchard
Director
Dorset Waste Partnership

December 2017