Dorset Waste Partnership
Councils working together

Dorset Waste Partnership Joint Committee

Date of Meeting	20 March 2018
Officers	Director of the Dorset Waste Partnership
Subject of Report	**Finance and Performance Report March 2018**
Executive Summary	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. At the end of January 2018 there is a predicted underspend on the revenue budget for the year of £1.722m, an increase in the expected underspend which was previously forecast to be £1.372m. The main reasons for the change are that waste disposal tonnages, plus associated haulage costs, continue to be more favourable than expected. In addition, the price paid for disposal of recyclate, which varies on a monthly basis, has been favourable for much of the earlier part of the year, although that has already changed to an adverse position. Both of these areas are very volatile, and will continue to be the subject of close monitoring going forward. This report also requests agreement on how to treat the underspend at year end. In previous years, the decision on how to treat any underspend takes place at the June Joint Committee meeting, once the final figures are known. The implications of the faster financial year end closedown, as mandated by central

	government, mean that, in order to achieve the faster closedown timetable, a decision is required by Joint Committee in advance of the closedown. This report makes recommendations regarding the treatment of underspend at year end, as follows: • To return £1.372m to partner councils in accordance with the cost share formula. This recommendation is on the basis that, as the prediction of underspend that was reported at the last Joint Committee, some partner councils may be relying on this underspend as part of their strategy towards balancing the current financial year, • Carry forward of some specific committed funding as specific carry forwards (details given below). • Top up the Budget Equalisation Reserve (BER) with any remaining balance, noting that the reserve is being depleted by £383k for the effect of the pay award in 2018/19. The report also proposes performance targets for 2018/19, for approval.
	Equalities Impact Assessment: This report contains no new proposals and has no equalities implications.
	Use of Evidence: 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
	Budget: For 2017/18, a revenue budget of £33.1m was agreed by the DWP Joint Committee. Based on information known at the end of January 2018, there is potential favourable variance of £1.722m. 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 £2.426m, excluding slippage of vehicles from the approved capital programme for the previous year.
	Risk Assessment:

	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: Current Risk: LOW Residual Risk MEDIUM This assessment relates to the potential volatility of a number of factors, in particular, the price paid/income received in respect of recyclate, 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.
	Other Implications: No other implications have been identified.
Recommendations	The DWP Joint Committee is recommended to: 1. Note the current 2017/18 revenue budget forecast. 2. Note the capital expenditure position for 2017/18 to date. 3. Approve the return £1.372m to partner councils in accordance with the cost share formula. 4. Approve the specific carry forward of funding of £75k for ongoing contract related technical advice. 5. Approve the specific carry forward of funding of £50k for ongoing project related consultancy support 6. Approve the top up the Budget Equalisation Reserve (BER) with any remaining balance 7. Approve the proposed Performance Indicators for 2018/19.
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. Returning the underspend that was reported at the last Joint Committee, is because some partner councils are relying on this underspend as part of their strategy towards balancing the current financial year. Topping up the BER with any remaining balance recognises that the reserve has been depleted by £383K to cover the effect of the pay award in 2018/19.
Appendices	Appendix 1 - Assurance statement by the Treasurer Appendix 2 – Revenue Budget – Major Variances

	Appendix 3 – Partner Share of 2017/18 Budget Underspend Appendix 4 – Budget position summary infographic Appendix 5 - DWP capital spend and commitments Appendix 6 – Budget risks for 2018/19 and beyond Appendix 7 – Budget Timetable Appendix 8 – Proposed Performance Indicators for 2018/19
Background Papers	None
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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 £1.722m 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 Appendix 3 sets out the proposed return of funds to partners of £1.372m in accordance with the agreed cost share.

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

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 £41k in respect of management fees at Household Recycling Centres.

2.2 A change of contractual arrangement for glass recycling is forecast to bring in around £76k 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 is a £409k favourable variance to year end.

2.4 Whilst there is no definitive view on how the recyclate price will behave in the short to medium term, 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 £31k.

2.6 Favourable variances are predicted in respect of tonnages of waste arising and associated haulage costs, estimated at £938k overall. This includes favourable prices due to a contractual change in disposal volumes with one of the DWPs key disposal outlets.

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 £40k is anticipated.

4. Trading Accounts

4.1 The financial performance of the Commercial Waste service is anticipated to contribute and additional £88k to DWP overheads.

4.2 The financial performance of the Garden Waste service is anticipated to contribute an additional £162k to DWP overheads.

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(£23k), including unfunded expenditure on additional temporary waste enforcement posts previously agreed by Joint Committee.

7. Treatment of underspend at year end

7.1 This report requests agreement on how to treat the underspend at year end. In previous years, the decision on how to treat any underspend takes place at the June Joint Committee meeting, once the final figures are known. The implications of the faster financial year end closedown, as mandated by central government, mean that, in order to achieve the faster closedown timetable, a decision is required by Joint Committee in advance of the closedown, and hence the Joint Committee are asked now to set out the principles of how to deal with the final outturn figure at the end of 2017/18, once it is known.

7.2 Joint Committee have previously been informed of the preparations taking place for the re-procurement of disposal contracts for residual waste and organic waste (food, garden waste and wood). Joint Committee will be aware that getting competitive gate fees / disposal arrangements for these waste streams has the potential for significant impact on the budget going forward. Joint Committee are asked to approve the specific carry forward of £75k that is earmarked for technical advice to support the procurement process for these contracts. The figures included in this financial report already assume that this £75k will be carried forward. If that is not the case, then the available underspend will increase by £75k.

7.3 Joint Committee are asked to approve the specific carry forward of £50k for consultancy support for projects that are underway in relation to potential savings in future. These include:

- Support with the investigation into different working patterns
- Support with reviewing the collection arrangements in the Tranche 1 area

The figures included in this financial report already assume that this £50k will be carried forward. If that is not the case, then the available underspend will increase by £50k.

7.4 Joint Committee are asked to approve the return of £1.372m to partner councils in accordance with the cost share formula. This recommendation is on the basis that, as £1.372m was the prediction of underspend that was reported at the last Joint Committee, some partner councils have factored in this underspend as part of their regular forecasting and strategey towards balancing the current financial year,

7.4 In January 2018, the Joint Committee approved the release of £383k from the Budget Equalisation Reserve to deal with the pay award for 2018/19, meaning that the reserve will stand at a level of £617k at the start of that year. Given the expected favourable situation at this year-end, Joint Committee are now asked to approve the “top up” of the Budget Equalisation Reserve with any remaining balance from the 2017/18 available underspend, recognising that reserve has been depleted for the 2018/19 pay award and other potential risks for the 2018/19 budget. On the basis of the current predicted favourable variance of £1.722m, this would top the BER up by £350K to £967K. Appendix 6 to this report sets out a number of known budget risks for 2018/19 and beyond.

8. Capital Budget 2017/18

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

8.2 Spend to date and commitments amounts to £2.426m against planned spend of £2.828m for 2017/18. Some key issues are highlighted below:

8.3 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.

8.4 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.

8.5 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.

8.6 In addition, there is spend of £485k for vehicles that have slipped from the 2016/17 capital programme.

9. Budget Equalisation Reserve

9.1 The Joint Committee are reminded that the following funds are currently held in the reserve. The table also shows the forecast level of BER based on the recommendations in this report, which would be an overall balance of £967k.

Local Authority	Amount currently held in Budget Equalisation Reserve (£)	Agreed transfer from reserve for 2018/19 (£)	Balance held after agreed transfer (£)	Forecast of balance held after recommendations (£)
Dorset County Council	**645,591**	**246,346**	**399,245**	**624,365**
Christchurch BC	**39,485**	**15,231**	**24,254**	**38,184**
East Dorset DC	**59,400**	**22,725**	**36,675**	**57,430**
North Dorset DC	**53,324**	**20,678**	**32,646**	**51,546**
Purbeck DC	**40,388**	**15,592**	**24,796**	**39,041**
West Dorset DC	**81,123**	**34,450**	**46,673**	**78,138**
Weymouth & Portland BC	**80,690**	**27,979**	**52,711**	**78,296**
Total	**1,000,000**	**383,000**	**617,000**	**967,000**

10. Performance Indicators for 2018/19

10.1 Appendix 8 sets out the proposed Performance Indicators (PIs) for 2018/19. The PIs have been reviewed by the Senior Management Team and the proposal is that the targets as set for 2017/18 remain appropriate for 2018/19. The Joint Committee are asked to review, comment on, and approve the propose PIs for 2018/19.

10.2 Final performance against 2017/18 PIs will be published via email as soon as possible in the new financial year.

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Dorset Waste Partnership

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