



Councils working together

Dorset Waste Partnership Joint Committee

Date of Meeting	11 June 2018
Officer	Director of the Dorset Waste Partnership Treasurer to the Dorset Waste Partnership
Subject of Report	Finance and Performance Report June 2018
Executive Summary	<p>This report presents and discusses the following -</p> <p><u>The 2017/18 revenue draft outturn</u> (including garden and trade waste trading accounts), which shows <u>a favourable variance of £1.985M</u> (around 6% on an original budget of £33.1M).</p> <p>The report discusses the factors that have occurred in 2017/18 which have caused the budget to be underspent, consistent with earlier forecasts presented to the Joint Committee.</p> <p><u>Final capital expenditure for 2017/18</u> - Expenditure of £2.404M was incurred during 2017/18 against an approved capital budget of £2.828M as agreed at Joint Committee November 2016 and amended June 2017. In addition, £484k was spent on vehicles that had slipped from the previous year.</p> <p><u>Return of funds to partner councils</u> Of the £1.985M underspend, £1.372m has been returned to partner councils as agreed at the last Joint Committee, with any further balance to be added to the Budget Equalisation Reserve (BER).</p> <p><u>The Budget Equalisation Reserve (BER)</u> – Following Joint Committee agreement to using £383k of BER funds towards cost pressures in 2018/19 caused by the pay award, the BER previously stood at £617k. Following the closedown of 2017/18, a further £613k has been added to the reserve, which now stands just over £1.2m.</p>

	<p><u>2018/19 budget forecast</u> – Based on very limited early 2018/19 data, an early forecast for the year suggests a possible overspend of £1.1m, primarily driven by the costs being incurred for disposal of recycle, driven by factors in the wider international recycling community. This report assumes that if such an overspend occurs it is to be funded by the BER, and therefore the effect on each partner council is nil (based on the projected overspend of £1.1m).</p> <p><u>2019/20 budget requirement</u> - The 2019/20 budget requirement is likely to be a significant increase on the current year budget. Work will be undertaken over the summer to clarify the 2019/20 budget requirements and savings proposals.</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 the 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>The draft outturn for 2017/18 was £1.985M (around 6%) underspent on an original budget of £33.1M.</p> <p>Capital expenditure for 2017/18 was £2.404M against an approved budget of £2.828M, plus spend of £484k for vehicles that were ordered against the previous year but delivered late.</p> <p>A revenue funding position of £33.1M was agreed by the DWP partner councils for 2018/19, and topped up with £383k from the BER in respect of the 2018/19 pay award, giving a net budget of £33.5m. Early budget monitoring for 2018/19 shows that there is a forecast over-spend of around £1.1m, which is expected to be fully funded from the BER.</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 around the 2018/19 budget has been identified as:</p>

	<p>Current Risk: HIGH Residual Risk: MEDIUM</p> <p>This assessment relates to the potential volatility of the revenue budget for 2018/19 where some factors (e.g. recycle costs, inflation and fuel) could move further in an adverse direction.</p> <p>Outcomes: The Joint Committee monitors the Partnership's performance against budget and scrutinises actions taken to manage services within budget on behalf of partner councils.</p> <p>Other Implications: None</p>
<p>Recommendation</p>	<ol style="list-style-type: none"> 1) To note the draft outturn position for 2017/18. 2) To note the final capital expenditure position for 2017/18. 3) To note the early 2018/19 budget forecast.
<p>Reason for Recommendations:</p>	<p>The Joint Committee 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 - Detail of spend by area (2017/18) Appendix 2 – Share of underspend by partner (2017/18) Appendix 3 – Budget Equalisation Reserve by partner. Appendix 4 – 2017/18 financial performance infographic. Appendix 5 – 2017/18 final DWP capital spend.</p>
<p>Background Papers</p>	<p>None</p>
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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. This report sets out the details of the 2017/18 revenue draft outturn, and early budget monitoring for the 2018/19 revenue budget. The outturn is draft until the meeting of the DCC Audit and Governance Committee on 29th June to approve the accounts after receiving the external auditors report.
- 1.2 As the draft outturn report for 2017/18 this is a joint report of the DWP Director and DWP Treasurer.

2. Budget Outturn for 2017/18

- 2.1 The 2017/18 revenue budget draft outturn produced a favourable variance of £1.985M (around 6%), on an original budget of £33.1m, agreed by the Joint Committee in January 2017. The major variances are discussed below.

Collection costs

- 2.2 Operational resources were £11k below the budgeted figure, on a total budget of around £8.5m. Throughout 2017/18, the operations managers have focused on absence management, management of agency spend, and regular budget monitoring.
- 2.3 Transport budgets overspent by £18k in total, on a total budget of almost £3.5m. The main reason for the overspend was increasing fuel prices in the later part of the year, resulting in a fuel budget overspend of £52k. This is partly offset by an underspend of £34k in other miscellaneous transport budgets.

Disposal Costs

- 2.4 The Joint Committee will be aware from previous financial reports that 2017/18 has seen significant savings in disposal costs and associated haulage costs. This is a combination of both deliberate policy decisions by the DWP to divert further waste away from landfill and into cheaper disposal routes, plus general volumes of tonnages arising being less than budgeted. The total effect is a favourable variance of just over £1.1m.
- 2.5 Recyclate material - The Joint Committee are reminded that the 2017/18 financial year has seen significant changes in recyclate price over the course of the twelve months, with an income being received in earlier parts of the year, and with costs increasing dramatically in the final months of the year, linked to the international market for recyclate and, in particular, the effects of changes in China. Joint Committee are reminded that a cautious budget was set for recyclate price for 2017/18, and that the overall effect has come out at a £365k favourable variance, plus a further £77k in respect of glass material.

Trading Accounts

- 2.6 The Garden Waste service generated a favourable variance of £263k over and above the 2017/18 budget. As reported previously to Joint Committee, the Garden Waste service continues to see an increasing customer base on a year on year basis. Previous expectations had expected that the Garden Waste service would not increase beyond 40,000 households (around 20% of all

households in Dorset), however latest expectations are that around 48,000 households will be signed up during 2018/19.

- 2.7 The Commercial Waste service generated a favourable variance of £146k over and above the 2017/18 budget. Some key local Dorset business have signed up with DWP Commercial Services in the last twelve months. A customer satisfaction survey undertaken in December 2017 revealed that 94.5% of existing customers would recommend the DWP commercial waste service.

Property budgets

- 2.8 As noted previously, property budgets had seen a one-off windfall rebate of £90k in 2017/18. This money was reinvested into much needed new facilities at depots. The final position was a £31k underspend on property budgets.

Capital charges

- 2.9 The capital charges revenue budget represents repayment of borrowings for capital purchases. Variances arise on the capital charges budget line when assumptions around the cost and timing of capital purchases vary from the actual cost and timing of capital purchases. This budget has seen a favourable variance of £234k in respect of capital financing costs. Details of capital expenditure in the year are given further below in this report.

Other minor adverse variances

- 2.10 Other minor adverse variances incurred for 2017/18 are as follows:

- * Temporary additional enforcement resource £14k
- * Overspend on PPE £25k
- * Overspend on training £36k
- * Other minor central overspends £21k
- * Inflation incurred on the HRC contract over budgeted amount £42k
- * Shortfall on container charging income £33k
- * Other minor waste disposal variances £8k
- * Balance sheet stock adjustments £49k

Table of major variances for 2017/18

2.11 The major items of variance against budget are summarised in the table below, together with a comparison of the predictions previously reported. –

Item	<u>Previous forecast of budget variance as per March 2018 Joint Committee</u> £k	<u>Final budget variance</u> £k
Collection costs		
Operations and street cleansing	£60k	£11k
Transport budgets	£0k	-£18k
Disposal Costs		
HRC management fees – inflation in excess of budget.	-£41k	-£42k
Waste disposal variances including haulage	£938k	£1,104k
Glass recycling	£76k	£77k
Dry mixed recycle	£409k	£340k
Other recycle	£31k	£25k
Other waste disposal	£0k	-£8k
Central budgets		
Additional enforcement resource	-£18k	-£14k
Property budgets	£90k	£31k
Other central budgets	-£23k	-£21k
PPE overspend	£0k	-£25k
Training overspend	£0k	-£36k
Capital charges	£0k	£234k
Commercial Services		
Container charging	-£40k	-£33k
Commercial Waste	£88k	£146k
Garden Waste	£152k	£263k
Stock adjustments to balance sheet	£0k	-£49k
Total budget variance	1,722	1,985

3. Final capital expenditure for 2017/18

- 3.1 Expenditure of £2.404M was incurred during 2017/18 against an approved capital budget of £2.828M as agreed at Joint Committee November 2016 and amended June 2017. In addition, £484k was spent on vehicles that had slipped from the previous year.
- 3.2 Specific details can be seen at Appendix 5.
- 3.3 The Joint Committee will be aware from previous reports that the main item of expenditure, a planned infrastructure project at Blandford, is a project that is progressing on target. Almost £178k has been spent in 2017/18.
- 3.4 The capital programme includes £54k for the purchase of equipment at Crookhill vehicle workshop. In fact, this spend went through at the end of the previous year. £5k of additional spend is shown here, which relate to additional electronic consoles needed at the workshop.
- 3.5 The capital programme includes £146k in respect of a new ICT system, as approved by Joint Committee in June 2017. Whilst an order has been placed and a contract signed, no payments have yet been made.
- 3.6 From 2016/17 onwards, the capital programme includes a sum of around £0.5m for container purchases, to deal with new housing growth as well as stock replacement. 2017/18 saw a considerable underspend against this sum.
- 3.7 Containers for the Garden Waste service and the Commercial Waste service are ordered according to customer demand, and the resultant capital charges are charged to those trading accounts.
- 3.8 All vehicles procured as part of the 2017/18 vehicle replacement programme were received during the year with the exception of a single 7.5t RCV which will slip into 2018/19.

4. The Budget Equalisation Reserve (BER)

- 4.1 Following Joint Committee agreement to using £383k of BER funds towards cost pressures in 2018/19 caused by the pay award, the BER previously stood at £617k. Following the closedown of 2017/18, a further £613k has been added to the reserve, which now stands just over £1.2m. This can be seen at Appendix 3.

5. 2018/19 Budget forecast

- 5.1 The DWP Joint Committee have agreed a budget of £33.5m for 2018/19, of which £33.1m is funded by partner councils and £0.4m funded from the BER specifically in relation to the 2018/19 pay award pressure.
- 5.2 Based on very limited early 2018/19 data there is a forecast overspend of around £1.1m, primarily due to the adverse price currently being paid for recycle. This will continue to be monitored as the year progresses.
- 5.3 It is anticipated that the overspend will be fully covered from funds in the BER, and therefore the effect on partner council budgets for 2018/19 will be nil.

6. 2019/20 Budget setting

- 6.1 The last DWP Medium Term Financial Plan that was seen by Joint Committee was in November 2017, which showed an expected 2019/20 budget of £34.4m. This figure was calculated on best information at that time, which did not include our latest knowledge of minimum pay increases and recycle price. Work will be undertaken over the summer to clarify the 2019/20 budget requirements. The 2019/20 budget requirement is likely to be a significant increase on the current year budget.

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May 2018