APPENDIX 5

Key risks for the DWP budget 2018/19 and beyond

1. Recyclate price volatility

Price volatility for sale of recyclate is driven largely by international market conditions, and to a lesser extent by the quality of the DWP product specifically. Prices currently vary on a monthly basis, and can include dramatic and unpredictable changes within a short timescale

For 2018/19, the budget assumption was a price of £0/tonne. Prices have significantly exceeded that level in 2018. If that prices continue to be significantly more than budgeted the effect on the DWP budget would be an overspend of around £1m.

2. Waste disposal – tonnages and disposal routes

The 2018/19 budget assumes that just over 200,000 tonnes of waste will be disposed of in Dorset (excluding commercial waste), of which the largest waste-stream is around 60,000 tonnes of kerbside residual waste processed at a typical cost of around £120 per tonne (total budget £6.750m plus haulage).

The volume of waste tonnages arising cannot be accurately predicted, and is acknowledged to be connected to a wide range of factors, including societal factors, economic factors, and the weather (particularly for green waste, but also HRC usage generally).

A variance of 1% in residual volumes will result in a change of around £70k.

3. Liability for closed landfill sites

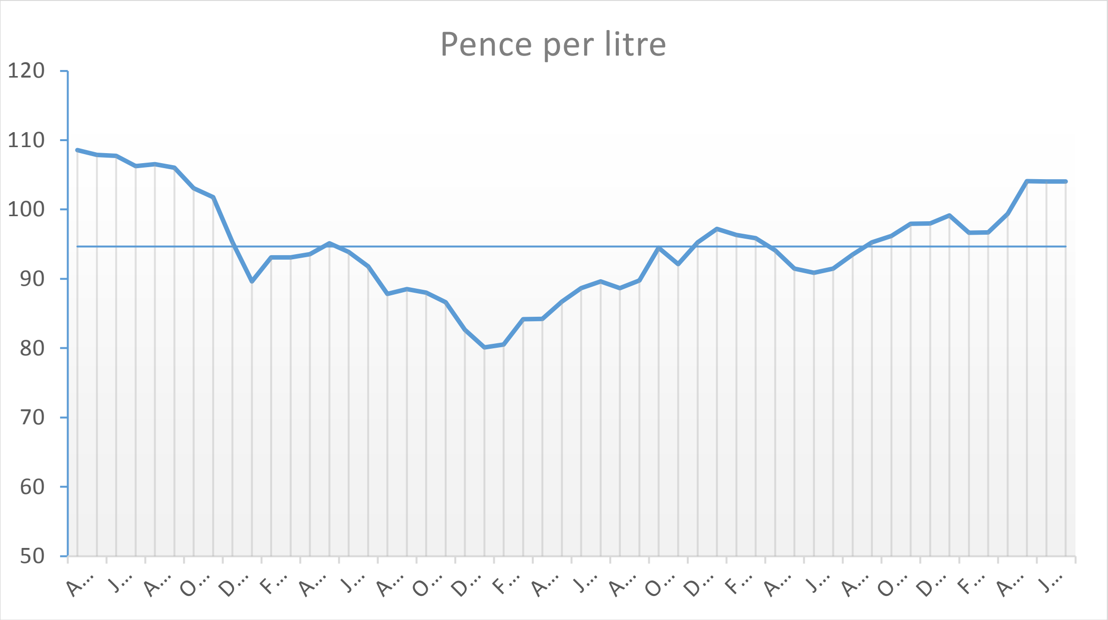
The DWP has responsibility for a number of closed landfill sites, and budget is provided for the ongoing monitoring of these sites. However, there is no budget provision for an event such as a closed landfill failure. Insurance would cover costs where the insurers would be satisfied that the event was unforeseeable etc. However, there is also risk of a landfill failure which would incur costs to the DWP. There is currently work in progress to provide greater clarification of the risks and potential costs to the DWP, and those costs may be significant.

There are some closed landfill sites in Dorset for which responsibility does not currently sit with the DWP, but, looking ahead to 2019/20 and the formation of Dorset Council, responsibility would sit with Dorset Council. It is assumed, but not known for certain, that funding exists (at partner councils) to meet liabilities for these sites.

4. Vehicle fuel price volatility

Fuel prices fluctuate constantly, and there are no long term reliable forecasts. The last twelve months have seen a steadily increasing price, although this now appears to have levelled off (see graph below). The price paid by DWP (via a DCC fuel contract) varies on a weekly basis, but is known to be very good value for money.

The current forecast of overspend is around £150k on vehicle fuel. For each increase of 10p per litre, around £140k is added to the budget requirement.



5. Clinical waste obligations

Clinical waste obligations that currently sit with the NHS / CCG are transferring to the DWP as a local authority responsibility. The implications and timescales are currently unclear, and discussions are ongoing with the NHS / CCG to establish further details. However, it is clear that a financial liability will fall to the DWP at some point in the medium term.

6. Housing growth

2018/19 saw the council tax base increase by almost 1,200 households compared to the previous year, and housing growth in Dorset shows no sign of slowing down. Collection of waste from households is a statutory responsibility for local authorities. The impact of housing growth is two-fold:

a) Waste collection arrangements will depend on whether the local depot is able to absorb additional waste using spare capacity, or able to rationalise rounds to create more effective routing. Failing this, then a new round will be required, at a cost of one new RCV, a food RCV, and two crews for the vehicles, at a typical, annualised, cost of around £230k.

b) The volumes of waste collected will increase due to the additional households, placing further pressure on the waste disposal budget (for which expenditure is incurred per tonne).

Medium / longer term risks.

7. Disposal contracts renewal – residual and organics

The DWP Contracts team are currently undertaking market engagement with regard to the renewal of contracts for residual waste and organic waste in 2020 and 2021 respectively. Whilst the team are doing everything possible to ensure best value for money from the contract renewals, the reality is that market conditions at the time of contract re-procurement will heavily influence the prices and solutions received. Current market conditions are not favourable in the global waste disposal market, and the cloud of Brexit only adds further uncertainty.

With a combined contract value of around £10m, a small change from our current prices – either favourably or unfavourably – could have a big impact on the waste disposal budget.

8. Statutory changes in waste policy

Waste policy is receiving more attention from central government recently, particularly in response to “the Blue Planet effect” and rising concerns over the use of plastic in society. There are a number of potential concerns:

a) Discussions of a potential deposit return scheme. Whilst there are no details as yet, a scheme that reduced glass, tins and bottles from our waste-stream could see our recyclate price further weaken, and could call into question the efficiency of the whole Recycle for Dorset operation, including vehicle / collection configuration.

b) A new waste and resources strategy is due later this year (although has already been significantly delayed) and it is currently unknown what this might entail. One speculation is around ‘consistency’ i.e. local authorities being forced to implement a consistent waste collection policy / service across all authorities with consistent bin types and colours.