



Councils working together

Dorset Waste Partnership Joint Committee

Date of Meeting	11 September 2018
Officer	Director of the Dorset Waste Partnership
Subject of Report	Finance and Performance Report September 2018
Executive Summary	<p>This report presents and discusses the following -</p> <p><u>The 2018/19 revenue forecast</u> which shows <u>a projected adverse variance of £723k</u> against the budget of £33.5m. This is an improvement when compared to the previous Joint Committee report, which forecast an adverse variance in the region of £1m. The Joint Committee are asked to note, however, that the major items of variance, which are recycle price and vehicle fuel price, are still subject to significant fluctuations, and therefore the forecast for the remainder of the year may still change significantly.</p> <p>The body of the report discusses the factors that are causing forecasts of variance for 2018/19.</p> <p>The projected overspend of £723k is expected to be fully funded by the Budget Equalisation Reserve (which currently stands at just over £1.2m) and therefore the effect on partner councils' finances will be nil.</p> <p>The <u>latest expectations of capital spend</u> are presented. There are no new significant issues to report in this area.</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 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>
	<p>Budget:</p> <p>The budget requirement for 2018/19 was originally calculated at £33.8m. Informal budget workshops during autumn 2017 made it clear that partner funding would be limited to a standstill budget of £33.1m, and budget reductions/changes in assumptions were agreed at the January 2018 Joint Committee to keep to the standstill figure of £33.1m. Late in the process, the effect of the latest change in minimum wage became clear, and it was agreed that the anticipated additional cost of £383k would be funded from the BER. Therefore, the net revenue budget for 2018/19 is £33.5m, however only £33.1m is funded from partner councils.</p> <p>The capital budget for 2018/19 as approved by Joint Committee was £5.114M. Additional funding was allocated to the scheme for construction of a waste management centre in central Dorset by Joint Committee at its meeting in June 2018, however, this sum is not yet reflected in the attached report due to the sensitive commercial nature of this additional potential sum, for which negotiations are currently ongoing.</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 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 and vehicle 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>

Finance and Performance Report September 2018

Recommendations	<ol style="list-style-type: none">1) To note the forecast of the revenue budget position for 2018/19, and how the adverse variance is expected to be funded from the Budget Equalisation Reserve (BER), with no effect on partner council finances.2) To note capital spend and commitments to date.
Reason for Recommendations:	The Joint Committee monitors the Partnership's performance against budget and scrutinises actions taken to manage within budget on behalf of partner Councils.
Appendices	Appendix 1 – 2018/19 financial performance infographic. Appendix 2 – 2018/19 DWP capital spend. Appendix 3 – Share of overspend by partner and effect on BER. Appendix 4 – Treasurer assurance statement Appendix 5 - Budget risks
Background Papers	None
Officer Contact	Name: Karyn Punchard, Director, Dorset Waste Partnership, Tel: 01305 225459 Email: k.punchard@dorsetwastepartnership.gov.uk

1. Background

- 1.1 The Joint Committee of 15 January 2018 agreed a revenue budget of £33.5m for 2018/19, of which £33.1m was funded by partners and £0.4m was funded from the Budget Equalisation Reserve, specifically in relation to the late pay award announcement.

2. Budget forecast for 2018/19

- 2.1 The 2018/19 revenue budget is currently forecast to produce a adverse variance of £723k, on an original budget of £33.5m. The major variances are discussed below.

Collection costs

- 2.2 Operational resources are currently projected to be overspent by around £50k, based on spend as at the first quarter. However, first quarter spend is not necessarily a reliable guide to the remainder of the year, in particular due to the higher number of bank holiday payments. Spend will be kept under review.
- 2.3 The vehicle fuel budget line is predicted to overspend by around £150k based on current prices. Fuel prices vary weekly and will continue to be monitored.
- 2.4 Transport costs in relation to vehicle parts are also predicted to overspend, by around £75k. This is based on high levels of (demand led) expenditure in the first couple of months of the year. Again, expenditure will continue to be monitored and forecasts updated accordingly.

Disposal Costs

- 2.5 The Joint Committee will be aware from previous financial reports that DWP 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 around £783k (£470k tonnages, £313k haulage).
- 2.6 Recyclate material - The Joint Committee are reminded that recyclate price has seen significant changes in recent times, linked to the international market and, in particular, the effects of changes in China. Joint Committee are reminded that a budget of £0 per tonne was set for recyclate price for 2018/19, and that the actual price, whilst varying each month, has been considerably higher than the budgeted price for all of 2018/19 to date. The overall effect is a predicted £798k adverse variance, based on average price for the year to date. This forecast comes with the caveat that the monthly price may yet change significantly.

Trading Accounts

- 2.7 The Garden Waste service continues to expand, with customer numbers currently at around 47,000. Growth in customer numbers continues to remain greatest in the East Dorset area. Income and costs within the trading account show no expected major variances.

- 2.8 The Commercial Waste trading account shows good underlying performance, with the income target expected to be exceeded for this year. However, cost allocations have been updated to reflect current arrangements (in terms of disposal costs, haulage costs, and recycle costs) and as a result this trading account is currently expected to be around £200k adverse from the budgeted position.

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 is forecast to produce an adverse variance of £144k in respect of capital financing costs. Details of capital expenditure in the year are included in Section 3 of this report and Appendix 2.

Other minor variances

- 2.10 Other minor variances that are forecast for 2018/19 are as follows:
- * Temporary additional enforcement resource £49k (adverse)
 - * Savings to be identified £39k (adverse)

Summary

2.11 The table below summarises the predicted variances described above:

Item	<u>Previous forecast of budget variance as per June 2018 Joint Committee</u>	<u>Current forecast of variance</u>
Collection costs		
Operations and street cleansing	-	-£50k
Transport budgets	-£200k	-£225k
Disposal Costs		
HRC management fees – inflation in excess of budget.	-£17k	-£17k
Waste disposal variances including haulage	£650k	£783k
Glass recycling	£13k	£23k
Dry mixed recyclate	-£1,086k	-£798k
Other recyclate	-£8k	-£7k
Central budgets		
Additional enforcement resource	-£48k	-£49k
Capital charges	-£250k	-£144k
Savings to be identified	£-39k	£-39k
Commercial Services		
Commercial Waste	-	-£200k
Total budget variance	-£985k	-£723k

3. Capital expenditure for 2018/19

- 3.1 Appendix 2 shows capital expenditure and commitments incurred at the time of writing, totalling just over £2.5m against an approved capital budget of £5.114m as agreed at Joint Committee November 2017.
- 3.2 Joint Committee also agreed, at the June 2018 meeting, to potential additional funding for the purposes of land purchase for the proposed Waste Management Centre in central Dorset. This potential additional funding is not yet included in Appendix 2, due to the sensitive nature of negotiations that are currently taking place.
- 3.3 Other projects of note are:
- 3.4 The procurement of 'in-cab' technology is progressing well, with the system expected to be live in the garden waste vehicles and the trade waste vehicles before the end of the year. Subject to a satisfactory trial, the system will then be rolled out to the domestic vehicle fleet in 2019. The committed sum of £143k was originally expected to be paid in 2017/18 but is now expected to fall in 2018/19 instead.
- 3.5 Orders have recently been placed for 28 vehicles for the 2018/19 vehicle procurement exercise (15 RCVs, 9 response vehicles, 3 supervisor vans and 1 bin collection vehicle). The total cost of the vehicle procurements was around £34k higher than anticipated. It was noted that vehicle market prices have increased across the board, and that this will need to be taken into account for future vehicle procurement exercises.

4. The Budget Equalisation Reserve (BER)

- 4.1 Following the closedown of 2017/18, the Budget Equalisation Reserve (BER) currently stands just over £1.2m. Appendix 3 shows the breakdown of the reserve by partner council and illustrates the effect on the reserve of funding the forecast of overspend of £723k.

Karyn Punchard
Director, Dorset Waste Partnership

August 2018