



Councils working together

Dorset Waste Partnership Joint Committee

Date of Meeting	17 January 2019
Officer	Director of the Dorset Waste Partnership
Subject of Report	Finance and Performance Report January 2019
Executive Summary	<p>This report presents and discusses the following -</p> <p><u>The 2018/19 revenue forecast</u> which shows a <u>projected adverse variance of £74k</u> against the budget of £33.5m. This is an improvement when compared to the previous Joint Committee report, which forecast an adverse variance of £180k. 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.</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 £74k 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 latest expectations of capital spend 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 also allocated to the scheme for construction of a waste management centre in central Dorset by Joint Committee at its meeting in June 2018.</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: LOW 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>

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Recommendations	<ol style="list-style-type: none">1) To note and comment on 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
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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 an adverse variance of £74k, on an original budget of £33.5m. The major variances are discussed below.

Collection costs

- 2.2 Operational resources are currently projected to be underspent by around £157k (of a total budget in the region of £9m), based on spend as at the end of November. With four months remaining, this should prove to be a reasonably reliable forecast, however factors such as sickness levels and vacancy management could still cause further variations.
- 2.3 The forecast for the vehicle fuel budget line remains unchanged, at a forecast overspend of around £166k. There is some good news in that the prices, at the time of writing, are no longer on an upward increase. November saw a small price drop and there are media expectations of further price drops to come. Fuel prices will continue to be monitored.
- 2.4 Transport costs in relation to vehicle parts has worsened, with the prediction of an overspend increasing from £117k to £190k, based on high levels of maintenance costs being incurred in the year to date. This is based on high levels of (demand led) expenditure in the year to date, as a result of the ageing fleet particularly in East Dorset, Christchurch and North Dorset. Again, expenditure will continue to be monitored and forecasts updated accordingly.
- 2.5 Based on the current spend profile, the revenue budget for purchase of sacks and bags is forecast to underspend by £40k.

Disposal Costs

- 2.6 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 £827k (£488k tonnages, £339k haulage).
- 2.7 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 £685k 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.

- 2.8 Joint Committee members may recall that a specific carry forward was agreed at the end of 2017/18 in respect of technical consultancy fees to support the re-procurement exercises in respect of residual waste and organic waste. Consultants are now being engaged in an effort to achieve best value for money via the re-procurement exercises. It is currently anticipated that around £40k of the funds will remain uncommitted at year end.

Trading Accounts / Commercial Services

- 2.9 As reported previously, 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 £187k adverse from the budgeted position.
- 2.10 The Container Charging service is currently forecast to exceed the income target to a small degree (£14k) based on the year to date. This comes with the caveat that container demand does not tend to follow any particular profile, so this could change.
- 2.11 The Garden Waste service has previously been projected to be on budget, however, the service is now forecasting a favourable forecast of £142k. This is partly due to the income budget being exceeded to a small extent, but primarily due to costs of the service being less than budgeted, due to the fact that the majority of garden waste vehicles are new, and associated maintenance costs have been minimal this year. Joint Committee are reminded that green waste disposal costs are not charged into this trading account. Applications for new started for the Garden Waste service have now 'closed' for 2018/19, with any new applications for the service starting on 1st April 2019.

Central budgets

- 2.12 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 £121k in respect of capital financing costs. Details of capital expenditure in the year are included in Section 3 of this report and Appendix 2.
- 2.13 Temporary additional enforcement resource is forecast an at adverse £49k. This temporary resource has always been unfunded but were employed to deal with the increased demand for enforcement related action.
- 2.14 As reported at the last Joint Committee, a thorough review of the rents and rates budgets have resulted in a forecast underspend of £180k. These findings have been factored into the draft 2019/20 budget proposals.

- 2.15 Minor adverse variances are also emerging on a number of central budgets in areas such as Management and Admin pay, training spend, and spend on uniforms (PPE).

Summary

- 2.16 The table below summarises the predicted variances described above:

Item	<u>Previous forecast of budget variance as per November 2018 Joint Committee</u>	<u>Current forecast of variance</u>
Collection costs		
Operations and street cleansing	£161k	£197k
Transport budgets	-£283k	-£356k
Disposal Costs		
HRC management fees – inflation in excess of budget.	-£17k	-£17k
Waste disposal variances including haulage	£796k	£827k
Glass recycling	£28k	£23k
Dry mixed recyclate	-£731k	-£685k
Other recyclate	-£4k	-£2k
Technical consultancy	£40k	£40k
Central budgets		
Additional enforcement resource	-£47k	-£49k
Capital charges	-£121k	-£121k
Central training budget	-	-£20k
Other Management and Admin	£9k	-£26k
PPE budget	-	-£27k
Property budgets		
Rents and rates variances	£180k	£173k
Commercial Services		
Container charging	£9k	£14k
Commercial Waste	-£200k	-£187k
Garden Waste	-	£142k
Total budget variance	-£180k	-£74k

3. Capital expenditure for 2018/19

- 3.1 Appendix 2 shows capital expenditure and commitments incurred at the time of writing, totalling just over £3m against an approved capital budget of £5.114m as agreed at Joint Committee November 2017.
- 3.2 Projects of note are:
- 3.3 Site exploration works are taking place in Blandford, as part of preparations for the new Blandford Waste Management centre.
- 3.4 The procurement of 'in-cab' technology is progressing well, with the system having recently gone live for the garden waste vehicles and trade waste vehicles. 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 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 £74k.

Karyn Punchard
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December 2018