



Agenda Item:

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Date of Meeting	27 October 2015
Officer	Treasurer to the Dorset Waste Partnership
Subject of Report	Financial Report October 2015
Executive Summary	<p>This report presents and discusses the following –</p> <p><u>The risks of variance in spend against the 2015/16 budget</u> of £32.456M, agreed by the DWP Joint Committee in January 2015, which is currently assessed at a potential for overspend / under achievement of income of £517k. This is based on information that is now available since the budget was agreed, unless additional management action can be taken. The most significant adverse items being:</p> <p>Vehicle Hire costs: £190k Recyclate material - extra disposal costs per tonne : £350k Garden Waste income, short fall : £130k Savings unachievable and savings not secure: £366k Likely redundancy costs: £113k Turn-a-round and Interim management costs £200k</p> <p>- these adverse variances amount to around £1.3M, which are offset to some degree by favourable variances on fuel price, contract inflation, vehicle lease costs and capital programme slippage.</p> <p><u>The latest capital budget monitoring information</u> which is unchanged since the last report is included at paragraph 3.</p>
Impact Assessment:	Equalities Impact Assessment: This report contains no new proposals and has no equalities implications.

	<p>Use of Evidence: The report is based on data from the County Council's financial system and the systems used by the DWP to monitor, for example, waste arising and income from recyclates. This is supplemented by information from service managers where necessary.</p> <p>Budget:</p> <p>A revenue budget of £32.456M was agreed by the DWP Joint Committee for 2015/16, and includes, after acknowledging very significant cost pressures and budget realignment issues, a requirement to achieve savings of £1.136M. Budget monitoring for 2015/16, to date, shows that there is a risk of an overspend of £517k unless additional management action can be taken.</p> <p>Risk Assessment:</p> <p>Having considered the risks associated with these decisions using the County Council's approved risk management methodology, the level of risk has been identified as: Current Risk: HIGH Residual Risk: HIGH This assessment relates to the potential volatility of the budget for 2015/16.</p> <p>Other Implications: No other implications have been identified.</p>
<p>Recommendation</p>	<p>The DWP Joint Committee is asked to:</p> <ul style="list-style-type: none"> i) Consider the risks of variance in spend in 2015/16, compared to the budget agreed by the DWP Joint Committee. ii) Consider the latest capital monitoring information.
<p>Reason for Recommendation</p>	<p>The Joint Committee along with the Management Board 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>Appendices –</p> <ol style="list-style-type: none"> 1. Capital programme information. 2. Capital Budget monitoring information.
<p>Background Papers</p>	<p>None</p>
<p>Report Originator and Contact</p>	<p>Name: Andy Smith, Treasurer to the Dorset Waste Partnership, Tel: 01305 224031 Email: a.g.smith@dorsetcc.gov.uk</p>

1. Background

- 1.1 The Dorset Waste Partnership is now into its fifth year of operation. West Dorset District Council and Weymouth and Portland Borough Council became fully active partners on 1 April 2013. The second and third tranches of roll out of the Recycle for Dorset service took place during 2013/14 and the waste collection service was also brought back in-house in the Purbeck area. In autumn 2014 the fourth tranche of the Recycle for Dorset service was rolled out to a further 48,000 properties. The final fifth tranche has been rolled out in the remaining parts of western Dorset earlier this month, so that all 201,000 properties in Dorset are now receiving the service.

2. Budget for 2015/16 – the Risk of Variance – latest assessment

- 2.1 Given the difficulties experienced in 2014/15 there is a continuing need for an ongoing assessment of the 2015/16 financial position, the budget having been set based on information and assumptions at December 2015. There is now later information available which needs to be brought to the attention of the Joint Committee and is discussed below. All major and significant budgets have, recently, been monitored in detail. The current budget consists of the £32.456m budget as approved by Joint Committee plus the carry forward of ring-fenced funding for the Implementation (of Recycle for Dorset) project, bringing the total to £32.570m.
- 2.2 At the time of writing, information received in August has allowed waste disposal tonnages and mix to have been analysed to the end of July. Data for the four months showed a small underspend against budget, but at this stage of the year it would be imprudent to draw conclusions regarding any likely adverse or favourable variance to year end.
- 2.3 Vehicle Hire - This budget was set at £252k for the year 2015/16, pending the purchasing and delivery of the remaining domestic fleet vehicles for tranche 4 and 5 and the street cleansing fleet. Until such a time as these requirements are finalised and the fleet is brought into operation, it is felt that this budget line remains at risk, with the degree of risk estimated, following an analysis of April, May, June and July actual spend, at around an additional cost of £190k.
- 2.4 Garden Waste Income – The Joint Committee will be aware from previous reports of concern regarding a potential shortfall of income against the increased income target for 2015/16, which has seen sign-up being less than anticipated. The sign-up period for Garden Waste ended at the end of July, with subsequent sign-up relating to the following financial year. At the end of July, income of around £1,419k has been received against the budget of £1,549k, with no reason to expect any significant change to these numbers. There will, therefore, be a shortfall of about £130k against the income target. Whilst this adverse variance is not welcome news, Members are reminded that the income level has increased by about £240k from last financial year (garden waste service income for 2014/15 was £1,177k) and that the improvements in developing a trading account have demonstrated that the service does make a positive contribution to overheads.
- 2.5 Delay of Tranche 5 rollout – as per the Joint Committee decision of 11th March 2015, the rollout of Tranche 5 was delayed to October 19th 2015, at a cost still estimated at approximately £48k for the 3 month delay. It includes the 'lost' benefit from an improved waste 'mix' and gate fee, and additional Bridport premises costs.
- 2.6 Senior Management Team costs were expected to reduce from 1st September 2015, but took place with immediate effect for 2015/16, with a beneficial financial effect of

around £51k. The working assumption is that this is offset against the additional interim management costs being incurred.

- 2.7 Taking into account 2.6 above, it is estimated that the balance of unbudgeted interim management costs will be around £200k. This estimate includes allowance for some form of continuing interim management and related support for the foreseeable future.
- 2.8 Bournemouth depot – there is a delay in moving from Christchurch depot facilities to the Southcote Road depot in Bournemouth. It is predicted that the move would not be completed until the end of October 2015, incurring additional costs of about £16k.
- 2.9 The December 2014 and May 2015 RPI's were lower than the 2015/16 budget assumption, which will bring favourable price variances against elements of the budget including management fees, haulage costs, landfill gate fees and composting gate fees. The benefit of this is estimated to be about £105k.
- 2.10 Recyclate material - increased costs. The Joint Committee are reminded that the 2015/16 budget was set to reflect that such material, which previously generated an income, was now costing (on average) £10 per tonne. The pattern of costs in the year to date have seen a sharp increase up to £28 per tonne for disposal at the start of the year, followed by a number of fluctuations, both down and then up again, in cost. Latest information received shows that the current price is now a cost of around £19 per tonne. Therefore it would be reasonable to assume that the previously adverse forecast variance of £175k will increase. An estimate of a £350k variance is assumed in the table at paragraph 2.21 below. Members will be aware that further price fluctuations may occur which cannot be predicted at this point in time. It is also important to note that the DWP has been successful in avoiding costs in this area through proactive price negotiation in a time of adverse market conditions.
- 2.11 Disposal and related activities – there are a number of minor items which suggest a forecast underspend of £48k based on actuals to date.
- 2.12 Fuel costs – There is still a reasonable expectation that the price of fuel per litre will be cheaper than that assumed in the budget. Similar volumes of fuel to that assumed for budget setting purposes are still predicted. The favourable variance on price now suggests an underspend of £200k.
- 2.13 Sherborne Waste Management centre claim re tranche 4 - An additional unbudgeted cost of £12k has had to be incurred.
- 2.14 Redundancy costs – Following a management restructuring process a few members of staff had, unfortunately, not been offered a post in the new staffing structure. As is normal practice, efforts were made to redeploy those that have been identified for compulsory redundancy during the period that ran from 2 June until 31 August 2015 with some success. The cost is now estimated to be £113k, which would be cost shared in the normal way. This cost should be seen as outside of normal service delivery but is included in the overall assessment of the risk of overspend.
- 2.15 Management and Administration staff costs – An underspend of £30k is now predicted due to vacancies.
- 2.16 Blandford Waste Management Centre - Latest information on this scheme (total cost in the capital programme of about £6m) still indicates that it is not likely that construction work can begin in this financial year. The current assumption is that costs for fees and preliminary works amounting to no more than £200k can take place in this financial

year. As a result, the revenue budget will see a favourable variance of about £350k in respect of capital financing costs.

- 2.17 Vehicles leased under the previous SFS contract arrangements - have now been returned, resulting in an underspend of £175k against the previous estimate.
- 2.18 Part of the 2015/16 revenue budget was the need to achieve £1.136m of savings on a number of areas of operation.
- 2.19 Progress continues to be made to achieve this significant level of savings and updated conclusions suggest that:
- £356k is secure.
 - £345k is partly secure.
 - £236k is not secure. }
 - £130k is not achievable. } £366k
- 2.20 The total of the items discussed above and underlined, gives a current assessment that the DWP are at risk of an overspend of £517k, including redundancy costs.
- 2.21 The items are summarised in the table below, together with a probability rating of the event occurring –

Item	Significance rating (scored relative to the size of the overall DWP budget)	Probability of occurrence	Current risk vs. 2015/16 budget £k
Vehicle Hire	Amber	Highly likely	190
Garden Waste Income	Amber	Certain	130
Delay in tranche 5 roll out	Amber	Certain	48
Interim management costs	Amber	Highly Likely	200
Bournemouth depot delay	Amber	Certain	16
December / May RPI – favourable variances	Green	Certain	-105
Recyclate material costs	Amber	Possible	350
Other disposal related activity	Amber	Likely	-48
Fuel costs – favourable	Green	Likely	-200

variance			
Sherborne Waste Management claim – additional cost	Amber	Certain	12
Redundancy Costs	Amber	Certain	113
Management & Admin salaries underspend due to vacancies	Green	Highly Likely	-30
Favourable capital charges in respect of Blandford Waste Management Centre	Green	Likely	-350
Vehicle lease costs – SFS contract	Green	Certain	-175
Savings not secure	Red	Likely	236
Savings not achievable	Red	Certain	130
Total			517

3. Capital Budget Monitoring and Capital Programme

- 3.1 Appendix 1 attached shows the latest position on the medium term Capital Programme.
- 3.2 For reference, the first table at the top of Appendix 1 shows the Capital Programme as it was last reported to Joint Committee, i.e. a programme that did not extend beyond the end of 2016/17. The second table now shows capital programme requirements, where known, to the end of 2019/20. The figures shown at Appendix 1 are a snapshot of work in progress. Updated, and more definitive, capital programme proposals are the subject of a report later on this agenda, as part of the overall budget proposals.
- 3.3 The infrastructure programme contains no known requirements beyond the end of 2016/17. The major focus, in the short term beyond the opening of the site at Broomhills, will be delivering the proposed scheme for the new Blandford Waste Management Centre.
- 3.4 Estimates are included in relation to the purchase of containers in a 'business as usual' situation, but are subject to further work.
- 3.5 Most significantly, the latest figures shown here include the effect of a refreshed vehicle replacement programme. The 2016/17 capital programme already includes about £1.9m of expected costs in relation to the current procurement exercise for replacement sweepers, and in addition now includes approximately £3m for a significant exercise in replacing RCVs, primarily for the main 'Recycle for Dorset' service. Whilst exact quantities and costs will be subject to on going refinement, Members are asked to note the peak in replacement costs in 2016/17, and the very

minor replacement costs expected in the subsequent three years as vehicle replacements have 'plateaued'.

- 3.6 Appendix 2 shows the current year budget monitoring position on vehicles, in terms of actuals, commitments and estimates for the current procurements on sweepers, tippers, spare RCVs etc. The current year position is all as expected.

Andy Smith
Treasurer to the Dorset Waste Partnership
October 2015



Capital Programme

Appendix 1

Existing budget as per Joint Committee approval:

Budget as agreed by Joint Committee January 2015:

	2014/15 £	2015/16 £
Infrastructure	1,437,478	1,522,200
Containers	1,366,052	777,389
Containers - garden waste (not previously split out separately)	300,950	129,200
Vehicles - non Recycle for Dorset	0	1,870,750
Vehicles - Recycle For Dorset	3,929,000	1,615,000
Total capital expenditure:	7,033,480	5,914,539

Latest forecast of capital expenditure including 2014/15 final spend:

	2014/15 £	2015/16 £
Infrastructure	370,996	432,200
Containers - implementation of r4D	1,623,822	476,543
Containers - r4D BAU	0	0
Containers - garden waste (not previously split out separately)	164,073	129,200
Containers - commercial waste (not previously split out separately)	13,488	83,000
Vehicles - non Recycle for Dorset	27,422	1,791,541
Vehicles - Recycle For Dorset	3,810,191	1,789,058
Total capital expenditure:	6,009,991	4,701,542

Breakdown of capital expenditure forecast:

	2014/15 £	2015/16 £
<u>Infrastructure</u>		
Hybris	0	34,000
Hurn	0	0
Blandford	0	200,000
Sherborne Waste Management Centre	355,484	0
Sites - Misc / equipment	15,512	198,200
ICT	0	0
<i>Infrastructure subtotal</i>	370,996	432,200
<i>check:</i>	0	0
<u>Containers</u>		
Containers - rollout of r4d	1,623,822	476,543
Containers - r4D BAU	0	0
Containers - commercial waste (not previously split out separately)	13,488	83,000
Containers - garden waste (not previously split out separately)	164,073	129,200
<i>Containers subtotal</i>	1,801,382	688,743
<i>check:</i>	0	0
<u>Vehicles</u>		
Vehicles - non collection (non r4d)	27,422	1,791,541
Vehicles - collection (r4d)	3,810,191	1,789,058
<i>Vehicles subtotal</i>	3,837,613	3,580,599
Total capital expenditure:	6,009,991	4,701,542
<i>check</i>	0	0

DWP Capital - vehicle purchases - Appendix 2

Capital Profiling

Crew	Reg Number	GVW	Body	Capital
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Purchase Period

2014/15	2015/16
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Recycle For Dorset service

P u r b e c k	Recycling	Hire	26	Split	185,900	185,900	actuals
	Recycling	Hire	26	Split	185,900	185,900	actuals
	Recycling	Hire	26	Split	185,900	185,900	actuals
	Refuse	Hire	26	Single	146,310	146,310	actuals
	Refuse	Hire	26	Single	146,310	146,310	actuals
	Refuse	Hire	26	Single	146,310	146,310	actuals
	Food Waste	Hire	7.5t	Single	60,730	60,730	actuals
	Food Waste	Hire	7.5t	Single	60,730	60,730	actuals
	Food Waste	Hire	7.5t	Single	60,730	60,730	actuals
	Food Waste	Hire	7.5t	Single	60,730	60,730	actuals
Restricted	Hire	15t	Split	121,883	121,883	actuals	
Narrow Access	Hire	15t	Split	121,883	121,883	actuals	

P o u n d b u r y	Recycling		26	Split	185,900	185,900	actuals
	Recycling		26	Split	185,900	185,900	actuals
	Recycling		26	Split	185,900	185,900	actuals
	Residual		26	Single	146,310	146,310	actuals
	Residual		26	Single	146,310	146,310	actuals
	Residual		26	Single	146,310	146,310	actuals
	Restricted Access		15	Split	121,883	121,883	actuals
	Restricted Access	Tranche 4	15	Split	121,883	121,883	actuals
	Restricted Access	Tranche 4	15	Split	121,883	121,883	actuals
	Spare	Tranche 4	15	Split	121,883	121,883	actuals
			15	Single	117,495	117,495	actuals
			15	Single	117,495	117,495	actuals
			15	Single	117,495	117,495	actuals
	Food Waste		7.5	Single	60,730	60,730	actuals
	Food Waste		7.5	Single	60,730	60,730	actuals
	Food Waste		7.5	Single	60,730	60,730	actuals
	Food Waste		7.5	Single	60,730	60,730	actuals
	Food Waste	Tranche 4	7.5	Single	60,730	60,730	actuals
	Food Waste	Tranche 4	7.5	Single	60,730	60,730	actuals
Food Waste	Tranche 4	7.5	Single	60,730	60,730	actuals	

B r i d e c	Recycling	Hired	26	Split	190,535	190,535	actuals
	Recycling	Hired	26	Split	190,535	190,535	actuals
	Food Waste	Hired	7.5	Single	63,129	63,129	actuals
	Food Waste	Hired	7.5	Single	63,129	63,129	actuals
	Food Waste	Hired	7.5	Single	63,129	63,129	actuals

C r o o k h i l	Recycling		26	Split	190,535	190,535	actuals
	Recycling		26	Split	190,535	190,535	actuals
	Recycling		26	Split	190,535	190,535	actuals
	Food Waste		7.5	single	63,129	63,129	actuals
	Food Waste		7.5	single	63,129	63,129	actuals
	Food Waste		7.5	single	63,129	63,129	actuals
	Food Waste		7.5	single	63,129	63,129	actuals
	Food Waste		7.5	single	63,129	63,129	actuals
	Food Waste		7.5	single	63,129	63,129	actuals
	Food Waste		7.5	single	63,129	63,129	actuals
Waste vehicles - 12 x £220 for road fund licence					2,640		
Restricted Access		7.5	single	84,958	84,958	actuals	

Replacement programme- R4D RCVs

Totals 13,679,740

£3,810,191 £1,789,058

Non-Recycle For Dorset service

1 tractor and 1 trailers	130,000
4 x used 26t RCVs for Garden Waste	59,000
2 x used Sweepers	110,000
3 x supervisor vans	27,422
	actuals

2 x 26t RCVs r4D spares	371,800
1 x 15t RCV r4D spare	117,495
9 x 7.5t caged tippers	423,000
12 x 3.5t caged tippers	420,000

12 x Large Mechanical sweepers
5 x Small Mechanical sweepers

Replacement programme - Sweepers
Replacement programme - Tippers
Replacement programme - Vans

Unallocated non-r4D capital balance

3,908,963

£27,422 £1,791,541

Total vehicles capital expenditure

£3,837,613 £3,580,599