



Agenda Item:

7

Date of Meeting	27 October 2015
Officer	Treasurer to the Dorset Waste Partnership
Subject of Report	Medium Term Financial Plan 2015/16 - 2020/21
Executive Summary	<p>This report presents and discusses the following:</p> <ul style="list-style-type: none"> • The projected net costs of the DWP through to the year 2020/21 on the assumption that the service continues in its present form and that savings initiatives that are currently in progress come to fruition as currently planned. • It does not include further savings initiatives that may impact on the style of service delivery. • The Medium Term Financial Plan includes assumptions on cost drivers and levels of income that will potentially need reassessment in the light of further information including market conditions that may be available at a later date. For example, the Garden Waste and Commercial Waste services will need to be revisited once the strategy document for those services has been produced. • Based on the above, and assuming the existing cost shares between partners, projected net costs are shown for each partner authority. • The report does not consider the future funding position of partner councils. • The MTFP shows that the projected costs of the DWP are between £166 per household (2016/17) and £174 per household (2020/21).

Impact Assessment:	<p>Equalities Impact Assessment: This report contains no new proposals and has no equalities implications.</p>
	<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>The Medium Term Financial Plan suggests that the net cost of the service will range from £34.205m (2016/17) to £36.559m (2020/21) accounting for current savings initiatives in progress but not accounting for further savings which may impact on the current service delivery model.</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</p> <p>This assessment relates to the potential volatility of the budget in future years and the potential need to find a significant level of further savings in each year to meet future partner funding expectations.</p>
	<p>Other Implications: No other implications have been identified.</p>
Recommendation	<p>The DWP Joint Committee is asked to:</p> <p>Consider and adopt the Medium Term Financial Plan 2015/16 to 2020/21 as set out in this report.</p>
Reason for Recommendation	<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>
Appendices	<p>Appendices –</p> <p>Appendix 1 – Medium Term Financial Plan projections 2015/16 to 2020/21</p> <p>Appendix 2 – Medium Term Financial Plan assumptions.</p>

Background Papers	None
Report Originator and Contact	Name: Andy Smith, Treasurer to the Dorset Waste Partnership, Tel: 01305 224031 Email: a.g.smith@dorsetcc.gov.uk

1. Background

- 1.1 The Dorset Waste Partnership is now in its fifth year. 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.
- 1.2 The last Medium Term Financial Plan (MTFP) was presented to the DWP Joint Committee in March 2014. Due to the significant cost pressures and budget realignment issues experienced during 2014/15 there is now a need to redraw the Medium Term Financial Plan and represent it to this committee for their consideration and adoption to highlight the longer term financial direction of the DWP.
- 1.3 The main thrust of the proposed MTFP (detail shown at Appendix 1) is to present the projected net costs of the DWP on the assumption that it continues to operate in a similar way, offering similar services to the public over the lifetime of the plan. Should partner funding in future years need to be constrained below the currently projected cost of the service, then further savings initiatives that may change the service model will need to be considered.
- 1.4 Work continues through the DWP savings group to ensure implementation of current savings initiatives.
- 1.5 The major assumptions, which are included at Appendix 2, in forming the MTFP are:
 - The budget 2016/17 and MTFP assume that the rollout of Recycle for Dorset is complete, and that there are no changes to this service model.
 - The MTFP ignores the effect of uplifts in the legal minimum wage, on the basis that no detail is currently available regarding the timing and amounts of increases after 2016/17. The 2016/17 uplift in minimum wage is known to be below the levels at which the DWP 2016/17 budget would be affected.
 - The budget 2016/17 and MTFP makes no assumptions regarding any potential financial outcomes of the current MRF procurement exercise.
 - An assumption has been made the HRC contractor charges a reduced management fee with effect from September 2016 in relation to charges for “non-household” waste (for example, rubble) estimated at around £225k per annum (net of costs). No other assumptions have been made regarding changes to the price of the HRC service that might arise from the re-letting of the contract in 2016.

- The MTFP makes assumptions, where appropriate, of inflationary uplifts of 1% for pay and 1% for non-pay, based on latest national information and forecasts.
 - Recyclate value is assumed to be a cost of £20 per tonne. Market conditions remain volatile (see Appendix 2, note 14) and recyclate value will need to be reassessed for each budget round.
 - Household numbers will grow by 1250 dwellings for each year of the plan.
- 1.6 The Joint Committee is asked to consider and adopt the plan as presented, with a recognition that there will be further regular iterations of the MTFP presented to the Joint Committee in the light of further experience of the Recycle for Dorset service, further information on the ability to achieve savings, future information on local government funding and updated information on other external factors.
- 1.7 In summary the MTFP suggests that the net cost of the service will range from £34.205m (2016/17) to £36.559m (2020/21) accounting for current savings initiatives in progress but not accounting for further savings which may impact on the current service delivery model. The projected costs per household are between £166 (2016/17) and £174 (2020/21).
- 1.8 Although it is difficult to obtain directly comparable benchmarking data from other local authority waste functions, based on the limited information available (see Appendix 2 , note 11) it is considered that the cost per household of the DWP compares favourably with others.

Andy Smith
Treasurer to the Dorset Waste Partnership

Paul Ackrill
Finance and Commercial Manager
Dorset Waste Partnership

October 2015



Dorset Waste Partnership
Medium Term Financial Plan
2015/16 to 2020/21

Appendix 1

Estimate of household numbers - assumes growth of 1250 dwellings per annum: 204,413 205,663 206,913 208,163 209,413 210,663

Row reference	In-house (DWP) service or externalised arrangements?	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
		£	£	£	£	£	£
1 externalised	Host Authority support costs	1,055,900	1,075,555	1,086,200	1,097,000	1,107,900	1,119,000
2 externalised	Insurance costs	296,310	302,236	305,300	308,400	311,500	314,600
3		1,352,210	1,377,791	1,391,500	1,405,400	1,419,400	1,433,600
4							
5 externalised	Waste Disposal, Recycling & HRCs	14,088,990	14,549,752	14,600,201	14,746,203	14,893,665	15,042,602
6	<i>see separate table for details</i>						
7							
8 in-house	Closed landfill sites:	87,600	87,600	88,476	89,361	90,254	91,157
9							
10 in-house	Recycling Initiatives	146,700	146,700	148,167	149,649	151,145	152,657
11							
12 in-house	Recycling credits and reuse credits	84,400	10,400	10,504	10,609	10,715	10,822
13							
14 mixed	Transfer Stations	524,691	529,938	535,237	540,590	545,996	551,456
15							
16	DWP Management / corporate costs:						
17 in-house	Senior Management Team - pay, oncosts	336,512	339,877	343,276	346,709	350,176	353,677
18 in-house	Management and Admin - pay, oncosts, overtime & training	2,140,357	2,090,051	2,110,951	2,132,061	2,153,381	2,174,915
19 in-house	SMT consultancy support	101,700	50,700	51,207	51,719	52,236	52,759
20 in-house	HQ premises	53,700	53,700	54,237	54,779	55,327	55,880
21 in-house	Income	-9,000	-9,000	-9,090	-9,181	-9,273	-9,365
22 in-house	Supplies and Services	81,600	82,416	83,240	84,073	84,913	85,762
23 in-house	Travel expenses and other	63,800	63,800	64,438	65,082	65,733	66,391
24							
25							
26	Capital charges (excl Garden & Trade)						
27	<i>to be broken down into:</i>						
28 in-house	<i>Vehicles</i>	1,096,250	1,965,281	2,027,074	2,095,163	2,141,727	3,155,159
29 in-house	<i>Containers</i>	603,533	882,668	934,328	985,988	1,037,648	1,089,308
30 in-house	<i>Infrastructure</i>	499,000	131,494	466,387	682,918	682,918	682,918
31		2,198,783	2,979,443	3,427,789	3,764,070	3,862,294	4,927,386
32							
33 in-house	Bin Storage	20,500	20,500	20,705	20,912	21,121	21,332
34							
35	Collection costs:						
36 in-house	Depot costs	361,500	361,500	365,115	368,766	372,454	376,178
37 in-house	Ops management and supervision	78,000	0	0	0	0	0
38 in-house	Other Ops revenue costs	190,000	191,900	193,819	195,757	197,715	199,692
39 in-house	recycle for Dorset staffing costs - collection	6,351,416	6,204,955	6,267,005	6,329,675	6,392,972	6,456,902
40 in-house	Ops staffing costs - transfer, other sundry functions	0	277,034	279,804	282,602	285,429	288,283
41 in-house	Street Cleaning staffing costs	1,914,484	1,964,297	1,983,940	2,003,779	2,023,817	2,044,055
42 in-house	sacks / bags	0	95,000	95,950	96,910	97,879	98,857
43							
44	Vehicles						
45 in-house	Vehicle workshop staff - pay, oncosts	310,700	313,807	316,945	320,115	323,316	326,549
46 in-house	Hire of vehicles	241,700	302,000	101,000	102,010	103,030	104,060
47 in-house	Vehicle fuel	1,554,100	1,415,700	1,597,920	1,614,565	1,664,500	1,664,500
48 in-house	Maintenance and other minor revenue costs	1,071,019	1,101,019	1,112,029	1,123,149	1,134,381	1,145,725
49 in-house	Leasing revenue costs	645,319	331,372	100,686	0	0	0
50							
51							
52 mixed	Savings to be identified 2015/16 (balance of £1.136m)	-719,817	0				
53							
54	Savings identified for 2016/17						
	Route optimisation - East Dorset & Christchurch. Assumption 1st						
55 in-house	August 2016 go live.		-166,667	-252,500	-255,025	-257,575	-260,151
56 in-house	Route optimisation after East Dorset & Christchurch		0	-252,500	-255,025	-257,575	-260,151
57 in-house	Street sweepings to a different treatment		-10,000	-10,100	-10,201	-10,303	-10,406
58			-176,667	-515,100	-520,251	-525,454	-530,708
59							
60							
61	Garden Waste service						
62 in-house	Costs of collection	583,188	695,480	702,400	709,400	716,400	723,564
63 in-house	Costs of administration	193,712	200,900	202,900	204,900	206,900	208,969
64 in-house	Capital charges	176,500	319,357	319,357	319,357	319,357	319,357
65 in-house	Income	-1,549,200	-1,665,000	-1,681,650	-1,698,467	-1,715,451	-1,732,606
66		-595,800	-449,263	-456,993	-464,809	-472,794	-480,716
67							
68	Commercial Waste service						
69 in-house	Costs of collection	481,900	488,000	492,880	497,809	502,787	507,815
70 in-house	Costs of administration	161,600	220,500	222,705	224,932	227,181	229,453
71 in-house	Capital charges	0	119,860	126,830	133,800	140,770	147,740
72 in-house	Income	-1,543,700	-1,860,000	-1,910,000	-1,960,000	-2,010,000	-2,060,000
73 in-house	Costs of disposal	681,700	930,000	955,000	980,000	1,005,000	1,030,000
74		-218,500	-101,640	-112,585	-123,459	-134,262	-144,992
75							
76							
77	Total budget	32,456,664	34,204,683	34,250,374	34,780,844	35,210,067	36,559,417
78							
79	<i>Revenue budget cost per Dorset household:</i>	<i>£159</i>	<i>£166</i>	<i>£166</i>	<i>£167</i>	<i>£168</i>	<i>£174</i>
80							
81 in-house	of which can be considered as "in house"	17,210,590	17,747,202	17,723,436	18,088,651	18,351,006	19,531,759
82 externalised	of which can be considered as "externalised"	15,441,200	15,927,543	15,991,701	16,151,603	16,313,065	16,476,202
83 mixed	of which can be considered as "mixed"	-195,126	529,938	535,237	540,590	545,996	551,456
84		32,456,664	34,204,683	34,250,374	34,780,844	35,210,067	36,559,417
	<i>check</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
	3.91% Christchurch BC	1,269,056	1,337,403	1,339,190	1,359,931	1,376,714	1,429,473
	5.94% East Dorset DC	1,927,926	2,031,758	2,034,472	2,065,982	2,091,478	2,171,629
	5.27% North Dorset DC	1,710,466	1,802,587	1,804,995	1,832,950	1,855,571	1,926,681
	4.01% Purbeck DC	1,301,512	1,371,608	1,373,440	1,394,712	1,411,924	1,466,033
	8.78% West Dorset DC	2,849,695	3,003,171	3,007,183	3,053,758	3,091,444	3,209,917
	7.31% W&PBC	2,372,582	2,500,362	2,503,702	2,542,480	2,573,856	2,672,493
	64.78% Dorset CC	21,025,427	22,157,794	22,187,392	22,531,031	22,809,081	23,683,190
	100.00%	32,456,664	34,204,683	34,250,374	34,780,844	35,210,067	36,559,417



Budget 2016/17 and Medium Term Financial Plan to 2020/21

Notes and assumptions

- 1 The budget 2016/17 and MTFP assume the full rollout of Recycle For Dorset is complete, and that there are no changes to this service model.
- 2 The budget 2016/17 and MTFP makes no assumptions regarding any potential financial outcomes of the current MRF procurement exercise.
- 3 The MTFP makes no assumptions regarding any potential financial outcomes of the current HRC contract renewal exercise (to take effect from September 2016).
- 4 The MTFP ignores the effect of uplifts in the legal Minimum Wage, on the basis that no detail is currently available regarding the timing and amounts of increases after 2016/17. The 2016/17 uplift in Minimum Wage is known to be below the levels at which the DWP 2016/17 budget would be affected.
- 5 The MTFP makes assumptions, where appropriate, of an inflationary uplifts of 1% for pay and 1% for non-pay, based on latest national information and forecasts.
- 6 Capital charges for containers (excluding trade waste and garden waste) are based on capital spend on a Business As Usual basis of £504k per annum. The revised estimates for capital purchases are based upon a detailed monitoring exercise that took place in summer 2015. The table below captures the expected requirements for Business As Usual capital requirements for containers:

Item	Quantity	Unit Cost	Annual Spend
240 litre wheeled bin - recycling	4576	£19	£86,944
240 litre wheeled bin - rubbish	2028	£19	£38,532
140 litre wheeled bin - rubbish	6916	£14.70	£101,665
140 litre wheeled bin - recycling	3640	£14.70	£53,508
360 litre wheeled bin - rubbish	520	£43.50	£22,620
360 litre wheeled bin - recycling	520	£43.50	£22,620
770 litre	520	£118	£61,360
1100 litre	520	£138.00	£71,760
7 litre food caddy	5200	£0.93	£4,836
23 litre food container	6500	£2.64	£17,160
55 litre box and lid	4420	£3.79	£16,752
40 litre box	2600	£2.47	£6,422
TOTAL			£504,179

In addition, there is £95k per annum included in the revenue budget for sacks and gull-proof bags, which cannot be capitalised.

- 7 Capital charges for infrastructure includes no new items beyond the construction of the Blandford Waste Management Centre, and a sum of £50k earmarked for specialist software purchases likely to be needed for Garden and/or Trade Waste service.
- 8 Capital charges for vehicles are based on the replacement vehicle programme. A summary of the vehicle replacement programme is included in a separate paper on the same agenda.
- 9 The effects of savings from the 2015/16 savings plan have been built into the base budget as follows:

a	£51,000	Reduction in consultancy support	full year effect
b	£71,000	Effect of the Management and Admin restructure	full year effect
c	£86,700	Crew savings at North and at Purbeck	full year effect
d	£100,000	Reduced sickness target 2015/16	full year effect
	<u>£308,700</u>		

The effects of the following savings plans have been built into the 2016/17 budget as follows:

- | | | | |
|---|-----------------|-------------------------------------------------|--------------------------------------------------------------------|
| e | £131,250 | Charging for non-household material at HRCs | part year effect - 7 months of an estimated £225k full year effect |
| f | £74,000 | Discontinue recycling credit payments | full year effect |
| g | £15,000 | Security arrangements | full year effect |
| h | £166,667 | Route optimisation - East Dorset / Christchurch | part year effect - 7 months of an estimated £250k full year effect |
| i | £10,000 | Street sweepings to different destination | full year effect |
| | <u>£396,917</u> | | |

- 10 The draft 2016/17 budget and MTFP includes support service costs from the host authority based on an annual uplift to the current costing mechanism. A revised costing mechanism is underway, which may result in revisions to these costs.
- 11 The budget and MTFP imply a cost of per household in the region of £166 to £174 per household over the four years. Comparators include:
 - * Somerset Waste Partnership £165.75 per household (2014/15) (excluding street cleaning service)
 - * Shropshire strategy 2010-2015, £181.52 per household
- 12 A recent review of the Commercial Waste Trading Account by consultants WYG, as part of the 'Phase 2 Report', concluded that "there is a sound commercial waste business that generates a surplus and which provides a springboard for expansion" (para 4.3.7). The report goes on to recognise that additional resources and route-optimisation may "eat up any additional surplus" (para 4.3.11) in year 2016/17 whilst the DWP reassesses resources to prepare for organic growth of the business. In 2016/17, this includes an allowance to invest in replacement vehicles to a capital value of £720k. For these reasons, the Commercial Waste Trading Account shows a dip in the level of contribution to overheads in 2016/17. MTFP figures for the Commercial Waste Trading Account beyond 2016/17 will be subject to revision in light of the proposed Commercial Waste Strategy document, which will not be available before December 2015.
- 13 The Garden Waste Trading Account is predicted to incur a shortfall against budgeted income levels in 2015/16, largely as a result of over-optimistic expectations about customer sign-up in Tranches 4 and 5. The budget for 2016/17 assumes a customer base of 37,000 customers can be achieved, and does not comment on assumptions in price increase nor customer base increase beyond 2016/17, as these factors will be the subject of discussion in the proposed Garden Waste Strategy document, which will not be available before December 2015. In 2016/17, the budget includes an allowance to invest in replacement vehicles to a capital value of £1m. For these reasons, the Garden Waste Trading Account shows a dip in the level of contribution to overheads in 2016/17. a result of over-optimistic expectations about customer sign-up in Tranches 4 and 5. A recent review of the Garden Waste Trading Account by consultants WYG, as part of the 'Phase 2 Report', concluded that "the current service operates on a reasonably sound financial basis" (para 4.4.3) whilst recognising administrative, ICT and Customer Contact issues that need resolving in 2015/16.
- 14 Costs to dispose of recycle have, in recent times, been volatile. The table below demonstrates the changing price paid (per tonne) to dispose of recycle over a recent 12 month period: The movement of recycle prices in the past is not a guide to movements of prices in the future, which are affected by national and international economic conditions.

Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15
£ 5.77	£ 8.93	£ 9.98	£ 11.42	£ 11.53	£ 18.52	£ 31.47	£ 30.16	£ 19.29	£ 9.06	£ 10.72	£ 19.19

This draft budget proposal includes costs at an assumed price of £20/tonne. A variation of £5/tonne would result in an overall change of £140k per annum.