

Place & Resources Scrutiny Committee

24 July 2025

An overview of the how budgets are set

For Review and Consultation

Cabinet Member:

Cllr S Clifford, Finance & Capital Strategy

Local Councillor(s): All

Executive Director:

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Statutory Authority: Dorset Council

Report status: Public Choose an item.

1. Executive Summary

1.1. This report outlines the approach Dorset Council takes to set its annual budgets, focusing on four key areas: pay, parking services, local land charges, and waste disposal. It explains the standardised and service-specific methodologies used, including incremental budgeting, inflation assumptions, and demand forecasting. Key challenges include external uncertainties such as national pay awards, economic conditions, and market volatility in waste disposal costs. The report also highlights the importance of data monitoring and scenario modelling in refining budget estimates. The committee is invited to note the report and consider areas for deeper scrutiny in preparation for the 2026/27 budget cycle.

2. Recommendation(s)

2.1. Place and Resources Committee note the content of this report

2.2. Place and Resources Committee consider the approach to budget setting.

3. Reason for the recommendation(s)

- 3.1. The Place & Resources Scrutiny committee members have requested the opportunity to scrutinise how we set budgets.

4. Setting budgets

- 4.1. This report has been prepared for the Place and Resources Scrutiny Committee to provide a comprehensive overview of Dorset Council's budget-setting processes. It responds to the committee's request for greater transparency and understanding of how budgets are developed across key service areas. The paper outlines the methodologies, assumptions, and challenges involved in setting budgets for pay, parking services, local land charges, and waste disposal, and highlights the factors influencing financial planning and risk management.

Pay budgets

- 4.2 Budgeting for Pay largely follows a common process across Dorset Council: a download is taken of the organisational establishment at a point in time to use as a baseline, and this is discussed with the budget holder to establish what the budgeted establishment needs to look like in the subsequent year (this might take into account, for example, planned restructures or changes to the service).
- 4.3 Some overarching common principles are then applied consistently: assumptions for increments, assumption of pay award, any other changes (such as changes in employers National Insurance, as one example). This produces a budget on a "post by post" basis.
- 4.4 In some instances, there are additional or different budgeting processes due to operational requirement and scale of budget. These are relatively few but can be significant. One of the larger examples is "cover" for waste operatives. Whilst waste operatives are budgeted on a full year basis (as explained above), when waste operatives are unavailable (annual leave, sick, training etc) the role still needs to be carried out on a daily basis, else bin collections will fall behind. Each local waste manager is allocated an additional budget to deal with this, from which they can use their local knowledge to deal with this in the way that they see fit, for example, agency staff, rostering of existing staff etc. The budget allocation is done as a lump sum, as 21% of the pay budget, rather than "post by post". Each year an assessment is done to review actual spend vs budget to see if the 21% allocation remains valid or needs changing.
- 4.5 Typically the single most significant variable with Pay budgeting is that the National pay award. For Dorset Council a 1% change to pay is around £1.9m.

- 4.6 The pay and terms of conditions of employment for over 1.4 million local government services' workers is determined by the National Joint Council (NJC) for Local Government Services.
- 4.7 The NJC for Local Government Services has 70 members: 12 on the employers' side and 58 on the trade union side.
- 4.3 Therefore, by necessity, the pay budget set by Dorset Council is an assumption and there is a risk that it does not match what is actually agreed. For example, for this year (2025/26), the National Employers have made a full and final offer of 3.2% which is higher than budgeted 2%. At the time of writing this paper this offer has not been agreed by the trade union side.

Parking Services budget setting

Context.

- 4.4 The total budget for Parking Service is -£8.2m for 2025/26. This is made up of £12.6m income budget and £4.4m expenditure budget.
- 4.4.1 Pay related costs account for almost £1.6m.
- 4.4.2 Premises related costs account for almost £1.7m of the expenditure budget, for items such as business rates (£1.2m), utilities and general maintenance.
- 4.4.3 Transport related costs are circa £86k (for Service vans).
- 4.4.4 Almost £1m is spent on other services, including IT systems (circa £250k) and cash collection (circa £200k), site security, stationary, postage etc
- 4.4.5 Income is via fees for parking (via cash or electronic payment at the site or using the JustPark app), permit income, and penalty fines.
- 4.4.6 There are limitations on the uses to which the council can use income from car parking as the income from parking funds parking enforcement and parking schemes, with surpluses to be used for transport-related expenditure including public transport and road repairs.

The budget setting process.

4.5 Standard Dorset Council budget setting process is applied to Parking Services:

- i. Budgeting is incremental in relation to the prior year budget
- ii. The current year is assessed for variables or issues that would affect the following year
- iii. Current year budget is rolled forward and corporate uplifts applied as appropriate: estimated pay award, increments, uplifts for non-pay inflation, uplifts in income.
- iv. The budget holder then has the opportunity to present requirements for other changes:
 - “cost pressure” if the service will incur more expenditure or achieve less income
 - “savings” if the service will incur less expenditure or achieve additional income.

Parking service potential variable

4.6 The following variables are known to affect car parking income but are difficult to account for in the budget setting process:

- i. Weather: Typically sunny weather sees more people going out and about whereas bad weather may mean more people staying at home. This is particularly noticeable at car parks near to popular visitor locations such as beaches.
- ii. Disposable income: The general state of the economy will influence to what extent people want to, and can afford to, go out.
- iii. Public Transport: The effectiveness and price of public transport will have an effect on use of cars.
- iv. Permits: Take up of parking permits will affect overall income as the permits offer an affordable way to park regularly.
- v. Visitor economy: The number of visitors and therefore demand particularly through the main visitor season affect overall income

Data analysis used in-year

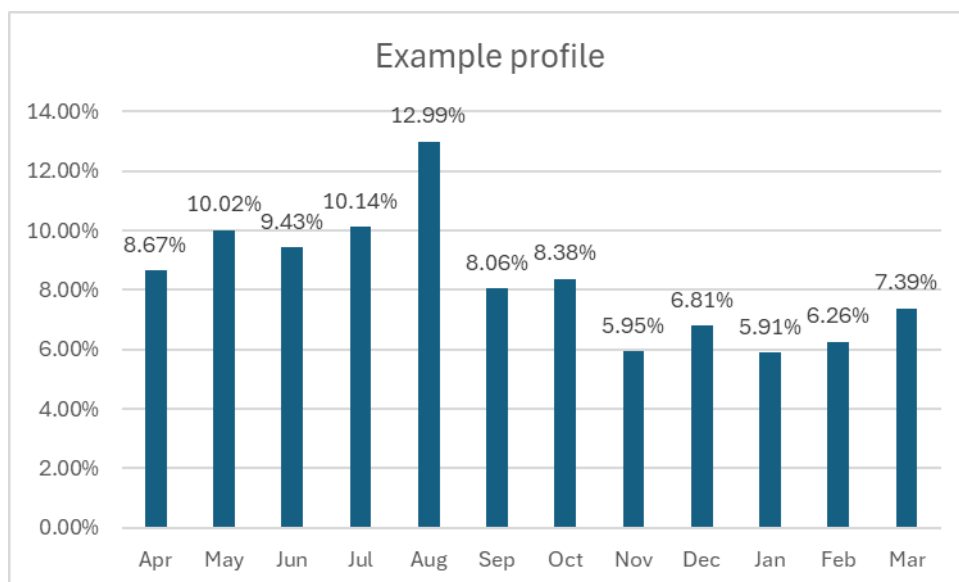
4.7 Income is monitored at site level for each car parks. For example, code 3027672 is the Langton Road car park at Blandford.

4.8 Income is also monitored separately for types of income stream e.g. card payments, cash, or mobile phone app (JustPark).

GL Name	Actual Last Year (2025)
Fees & Charges	-35.00
Licences	-2,000.00
Car parking income – Card	-19,894.20
Car Park - Pay & Display Charges	-19,378.09
Car Parking Charges (Mobile Phone)	-25,712.95

4.9 Different income profiles are attached to each type of General Ledger (GL) code. The profiles represent an assessment of likely income collection by month, against which actual income collection can be monitored. The profiles are agreed with the Parking Services manager and updated as appropriate.

4.10 Example of one of the profiles used – showing the majority of income is generated through Apr-Oct:



4.11 Here is an example of how income is captured by month at site level (in this example, at Top O Town Car Park in Dorchester) and is reviewed both against the expected monthly profile as well as prior years:

	April	May	June	July	August	September	October	November	December	January	February	March	Total
2022/2023	-7,686.55	-14,912.31	-10,451.12	-17,401.54	-16,280.04	-17,187.11	-16,668.13	-6,914.75	-18,141.67	-18,725.25	-9,538.90	-27,300.83	-181,208.20
2023/2024	-	-29,202.18	-15,507.61	-	-33,203.81	-14,915.64	-16,645.10	-14,795.10	-12,095.95	-	-28,366.50	-14,863.09	-179,594.98
2024/2025	-6,750.11	-7,067.89	-7,981.17	-15,001.54	-37,844.99	-8,767.85	-25,215.79	-13,974.79	-13,321.97	-15,249.45	-14,797.61	-16,475.51	-182,448.67
													-543,251.85

4.12 This data leads to a rich picture of income tracking during the year and may identify where adjusting exceptional items need to be raised as part of the following years budget build.

Setting of fees and charges

4.13 As per the corporate process, the budget setting sits independently of the process to determine fees and charges. The budget process delivers a “target”. The budget holder, in conjunction with political steer as appropriate, is tasked with setting fees and charges in such a way that delivers the target. This is the budget holder’s responsibility.

4.14 The budget holder will take account of the data, insight and feedback and use their management discretion and judgement as to which aspects need to be reflected in the following years budget.

Parking Services review

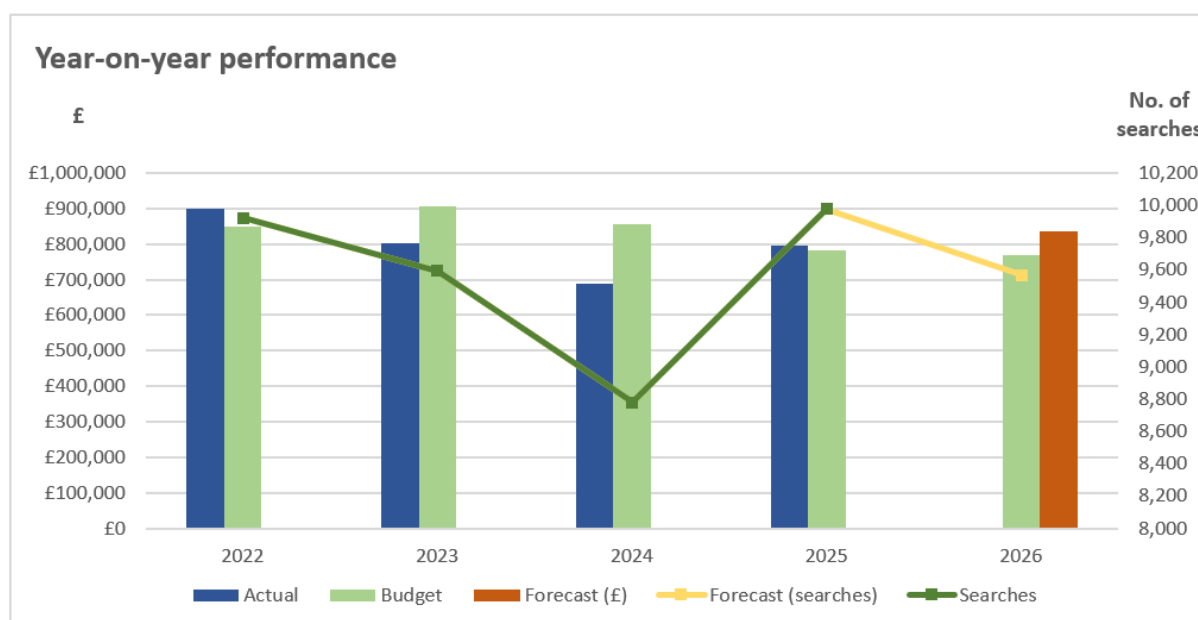
4.15 The Council has committed to a review of parking and will bring this back through the committee process later in this financial year.

Local Land Charges income

4.16 Local Land Charges is a statutory service provided by local authorities. Under the Local Land Charges Act 1975, local authorities are permitted to charge fees for local land charge services, but these fees must not exceed the cost of providing the service. This principle ensures that the service operates on a cost-recovery basis, rather than generating profit.

4.17 The fees are directly linked to the number of property sales as buyers or lenders undertake these ahead of a property transaction. As a result this service is demand led and can be impacted by changes in interest rates, mortgage availability and housing market activity. It can also be influenced by government policy decisions, for example, when there have been changes to stamp duty.

4.18 The income received is forecast on a rolling 12-month average to show the trends and this is compared to the number of search requests being received each month. The fees for each element of the charge are benchmarked against neighbouring local authorities to ensure reasonableness and fairness. In 2024/25, Dorset Council's average fee was £45.29, compared to a benchmarked average of £53.04. Fees were increased in 2025/26 to £56.43 to better align with peers.



4.19 The budget includes both direct costs (e.g., staff pay, card payment fees) and indirect costs (e.g., IT systems, legal support), some of which are apportioned using costing models. A full cost review is conducted annually to ensure compliance with the cost-neutral requirement. The service aims to match staffing levels to forecasted demand, adjusting the staffing model as needed.

4.20 The service acknowledges that demand is not predictable, so it is not possible to maintain a perfectly balanced budget and so remains under regular review.

Waste Disposal Budget Build

4.21 The budget for waste disposal is largely seeking to predict how much waste will be handled through each of the waste streams.

4.22 The Waste Strategy team provide a table of assumed tonnages for the forthcoming year covering the range of different waste streams and contracts/contractors. An extract of the master budget workings is provided below.

Contractor	Waste stream	Delivery Site	Forecast Spend
NES	Residual Waste MBT	Canford MBT	8,570,436
CRL	Bulky Residual	CRL Canford	91,003
ECO	Green Waste HRC	Eco Parley	187,511
		Eco Lodmoor	215,133
		Mark Farwells	202,327
	Green Waste Kerbside	Eco Parley	320,518
		Eco Lodmoor	251,541
		Mark Farwells	323,203
		Wareham & Purbeck Skip Hire	49,930
	Wood Waste HRC	Eco Parley	169,687
		Eco Lodmoor	202,526
		Mark Farwells	137,100
	Food Waste Kerbside	Eco Parley	197,390
		Eco Piddlehinton	196,999
	Street Sweepings	Eco Parley	147,201
		Eco Lodmoor	164,383
		Mark Farwells	62,314
		Wareham & Purbeck Skip Hire	18,694
W&S	HRC Residual Waste	W&S Nuffield	2,182,708

Note: no values are shown on this table in relation to the rate paid per contractor due to this information being commercially sensitive. This rate figure is multiplied by the tonnage data to provide the forecast spend for each waste stream.

4.23 The 25/26 Rate Assumption is based on the inflation factor applied to the relevant cost codes in the Budget Build guidance – in this instance for 2025/26 budget setting the inflation factor was 2%. Waste Disposal contracts are indexed linked, and uplift every April based on the prior December relevant CPI index value. Therefore, during the budget setting time, the actual uplift is unknown and hence we work with the assumed corporate inflation uplift. Once the actual rate of uplift is known, this is then retrospectively worked back and applied as the new rate to the workings, which calculates the difference between the actual inflation uplift, and the budgeted 2% uplift.

4.24 Depending on this value, there are a number of approaches. Waste Strategy could make a bid to Commercial Board to request funding for the additional inflation, or if it is a relatively small value, the budget holder could choose to wait and monitor the actual tonnages closely, in the hope that volume savings will help offset the price variance. Both approaches have been used in the past. In the case of permanent additional funding not being awarded through Commercial Board, a pressure is flagged in the MTFP in order that the 'starting position' for the following year's budget build is correct.

Factors affecting waste streams and tonnage

4.25 With regards to growth in tonnage volume, it is tricky to accurately project what is likely to happen in the future. In simple terms, we may assume that tonnages will increase in line with household / tax base growth, as additional properties will naturally increase volumes of waste arisings. However, this is tempered through a variety of factors, such as the Recycle For Dorset / Right Stuff, Right Bin campaigns to ensure waste is recycled correctly, whilst we can also assume that manufacturers are making an effort to reduce the volume of their packaging in light of the upcoming EPR regulations.

4.26 Wider economic factors also come into play, as recessions / cost of living crisis will mean residents are likely to purchase less, hence produce less waste. These longer-term societal changes are factored into the tonnage estimates that feed into budget setting – for example, the estimated increase of 750 tonnes of household residual waste is significantly less than the ~4.51% growth in tax base in the MTFP for 2025/26. This highlights that Waste volume growth is not linear with tax base / property growth, and reflects that wider factors are having an impact on 'real term' arisings.

4.27 Finally, the weather plays a significant role, most importantly in the volume of Green Waste disposal. A really dry summer has been seen to dramatically reduced the volume of Green waste disposal over the summer and autumn period, as the grass grows more slowly.

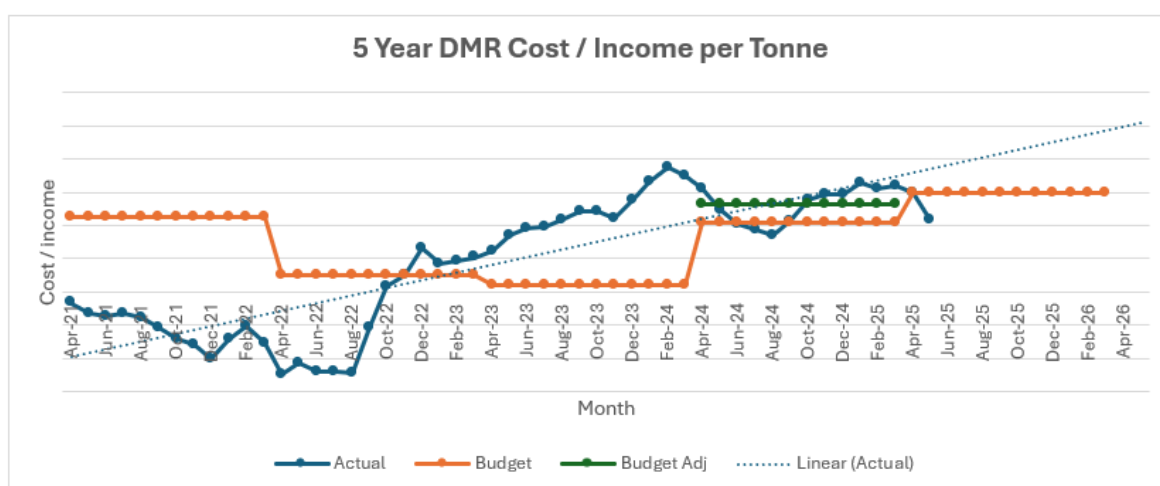
Trend analysis

4.28 The finance team work closely with the Waste Strategy team, analysing trends over the longer term alongside applying latest market intelligence, to identify areas that potentially need to be flagged as a budget pressure for volume growth. For 2025/26, an identified expected increase of 750 tonnes (as indicated in prior paragraph) in the residual waste budget, so built a pressure into the MTFP to fund this expected growth in household waste.

4.29 These assumptions will of course be monitored in close detail throughout the 2025/26 financial year. In addition, for 2025/26, the overall residual waste budget had a £90k saving attached to it as a 'reduction in waste saving as a result of the educational campaigns' i.e. Right stuff, Right bin. Naturally it is difficult to quantify the financial results of educational campaigns, but we can for example expect to see reductions in residual waste, and increases in food disposal tonnages, which would equate to budgetary savings (residual waste has a significantly higher disposal cost per tonne compared to food waste).

4.30 The estimated effect of these campaigns is considered by the technical experts within the Waste service. At a high level, a £90k saving would be the equivalent of ~732 tonnes of food waste being diverted from residual (black bag) to the dedicated food waste collections. Again, this will all be monitored as part of the regular in-depth monthly monitoring on tonnage volumes.

Recycling



Note: no values are shown on the axis as this is commercially sensitive information, and so the graph is for illustration purposes only.

4.31 Dry Mixed Recyclate (DMR) and Glass have a volatile disposal fee that is variable and changes every month due to the latest market prices for recyclable materials e.g. aluminium, fibre, plastic bottles etc. The below graph shows how the monthly DMR disposal cost has changed, and how it tracks against the budget. It can be observed that the 5-year trend shows the price is generally upwards, and also how the council received income during the period following the pandemic.

4.32 Due to budget setting during the summer, it is difficult to fully estimate the likely fee this far in advance. The work consists of modelling a wide range of possible scenarios for the price, alongside the latest market intelligence provided by the Waste Strategy team.

4.33 For 2025/26, the budget was based on a disposal fee of £60 per tonne, which was consistent with the position observed during summer / autumn 2024. This meant a budget pressure was needed in the MTFP to fund this increase.

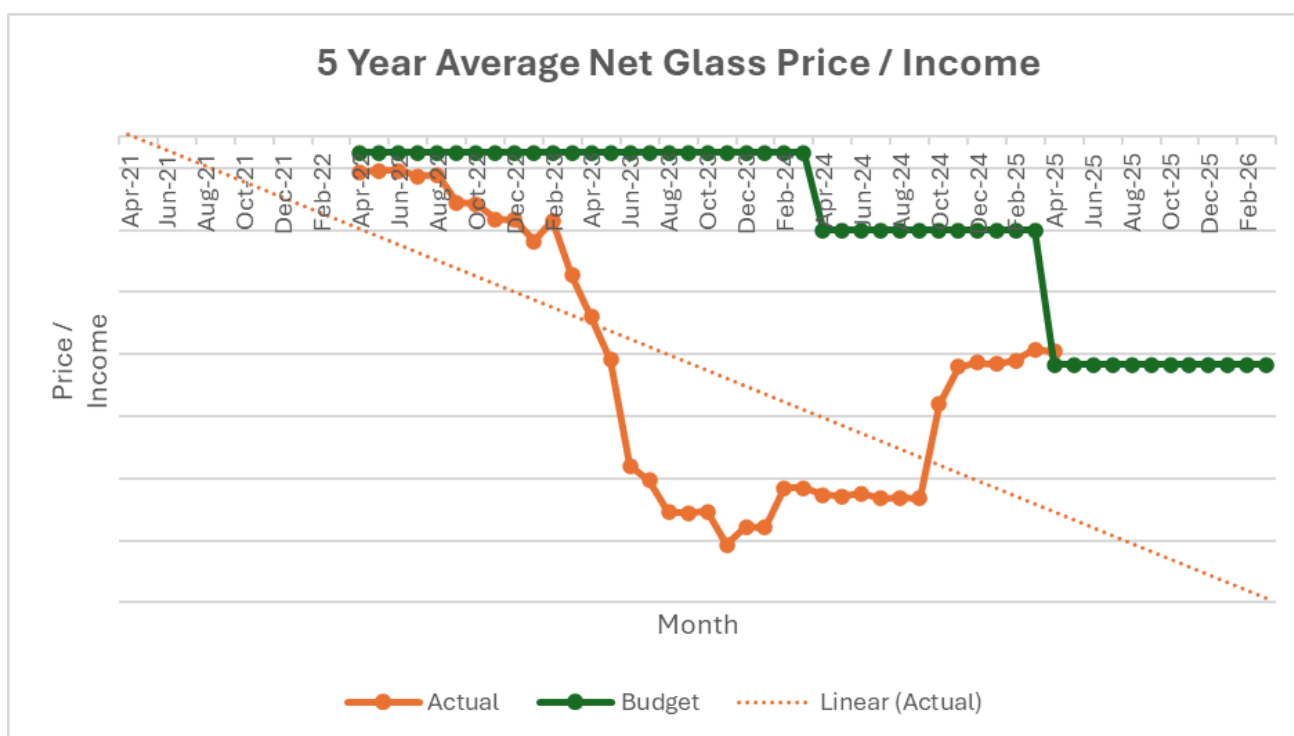
4.34 Below is a summary of the high level modelling across both the DMR and Glass recycle budget lines

DMR / Glass Budget 25/26 Scenarios				DMR @ £50				DMR @ £55				DMR @ £60			
Current Year Budget	1,058,862			Tonnes	Cost			Tonnes	Cost			Tonnes	Cost		
				DMR	27,150	50.00	1,357,500	DMR	27,150	55.00	1,493,250	DMR	27,150	60.00	1,629,000
Current Assumption				Glass	12,196	-50.00	-609,800	Glass	12,196	-50.00	-609,800	Glass	12,196	-50.00	-609,800
							747,700				883,450				1,019,200
							311,162				175,412				39,662
	Tonnes	Cost													
DMR	27,150	50.00	1,357,500												
Glass	12,196	-85.00	-1,036,660												
			320,840												
		Saving	738,022												
				Tonnes	Cost			Tonnes	Cost			Tonnes	Cost		
				DMR	27,150	50.00	1,357,500	DMR	27,150	55.00	1,493,250	DMR	27,150	60.00	1,629,000
				Glass	12,196	-60.00	-731,760	Glass	12,196	-60.00	-731,760	Glass	12,196	-60.00	-731,760
							625,740				761,490				897,240
							433,122				297,372				161,622
				Tonnes	Cost			Tonnes	Cost			Tonnes	Cost		
				DMR	27,150	50.00	1,357,500	DMR	27,150	55.00	1,493,250	DMR	27,150	60.00	1,629,000
				Glass	12,196	-70.00	-853,720	Glass	12,196	-70.00	-853,720	Glass	12,196	-70.00	-853,720
							503,780				639,530				775,280
							555,082				419,332				283,582
				Tonnes	Cost			Tonnes	Cost			Tonnes	Cost		
				DMR	27,150	50.00	1,357,500	DMR	27,150	55.00	1,493,250	DMR	27,150	60.00	1,629,000
				Glass	12,196	-80.00	-975,680	Glass	12,196	-80.00	-975,680	Glass	12,196	-80.00	-975,680
							381,820				517,570				653,320
							677,042				541,292				405,542

4.35 Budgeting for Glass is very similar to DMR. For a two year period income has significantly exceeded the budgeted surplus. This contributed to the favourable budgetary performance of the wider Waste Strategy service. For 2025/26, due to the continued levels of income, combined with the need to make savings, the income budget was set in excess of £70 per tonne.

4.36 For reference, the budget was not stretched in prior years as the assumption at the time was the 'boom' in glass would be short lived, and market intelligence from the contractors advised not to expect such a prolonged level of buoyant income. The net income prior to the 2022/23 year was typically around £1-£5 per tonne, so it had an overall immaterial impact on the wider Waste Disposal budget.

4.37 Again, DMR and Glass tonnages and prices are monitored in depth on a monthly basis throughout the year, and there are a range of tables and graphs used to track prior trends, and to assist in forecasting future figures. The recyclate market is notoriously difficult to predict, as the market is very volatile and can significantly change in short periods (as seen on the DMR graph).



4.38 However, having the contract on the variable pricing model is generally seen to be more favourable from a budgetary perspective as opposed to locking in a 'fixed fee', as this would highly likely lead to a higher charge, and a lost opportunity to make a surplus when market conditions are favourable – as evidenced by the significant net income that the Council has made from recycled glass in the last few years.

Budgeting for excellence

4.39 Dorset Council now recycles 60.5% of all the waste it collects at the kerbside, against a national average of 44%. This places Dorset Council as the number one unitary council for recycling rates.

4.40 Better recycling rates means a lower cost service. This is because the various recyclate streams (e.g. food, mixed recyclate, glass) are all disposed of at a considerably lower cost than "black bag" residual waste. This is driven by market conditions. Industries are keen to obtain specific materials and therefore sorting through black bag residual waste is expensive.

4.41 This means that good performance for recycling levels means a lower cost for the taxpayer, and conversely poor performance for recycling levels means increased cost for the taxpayer.

4.42 At each budget setting round, management judgement together with latest contracted prices are used to calculate the waste disposal budget, based on:

- a) Volumes of tonnes expected to arise for each waste stream
- b) Disposal points for waste (some waste streams have more than one disposal point, in different geographical locations)
- c) Cost per tonne for disposal at each disposal point including haulage costs

4.43 For example, the following assumptions were made on waste tonnages by stream for 2024/25:

High Level Annual Tonnage Numbers for context - 2024/25			
Household Black Bag Residual		49,508	
DMR		24,996	
Glass		10,812	
Food		15,250	

4.44 In order to pursue the objective of the best possible service cost, the service employees a team of six recycling education and promotion officers, at a cost of circa £300k.

4.45 Given that Dorset Council are the number one Unitary council for recycling rates, it could be argued that this is a measure of the effectiveness of the recycling education and promotion team.

4.46 The costs of that team would be (more than) recovered in a situation where the number of tonnes are reduced by 5%. For example:

Potential Scenario - Additional 5% Diversion			
Food Waste Diversion		763	94,215
DMR Diversion		1,250	109,233
Glass Diversion		541	123,300
			326,747

4.47 The table above shows the saving on the “gate fee” (the price per tonne for disposal) for waste. In addition, there may also be reductions in haulage expenditure due to lower volumes having to be transported.

5 Legal considerations

5.1 The Local Government Finance Act 1992 requires Councils to set a balanced budget.

6 Financial implications

6.1 There are no specific financial implications from the recommendations within this paper. An effective approach to budget setting helps ensure the Council is able to achieve value for money and makes best use of resources.

7 Natural environment, climate & ecology implications

7.1 Whilst how budget and resources are allocated has implications on the natural environment, climate and ecology there are no specific recommendations in the paper which have implications.

8 Well-being and health implications

8.1 Whilst how budget and resources are allocated has implications on well-being and health there are no specific recommendations in the paper which have implications.

9 Other implications

9.1 None

10 Risk implications

HAVING CONSIDERED: the risks associated with this decision; the level of risk has been identified as:

Current Risk: Low

Residual Risk: Low

11 Equalities

11.1 There are no specific equalities impact from this paper.

12 Background papers

12.1 [Dorset Council 11 February 2025 - Dorset Council](#)

13 Report sign-off

- 13.1 This report has been through the internal report clearance process and has been signed off by the Director for Legal and Democratic (Monitoring Officer), the Executive Director for Corporate Development (Section 151 Officer) and the appropriate Portfolio Holder(s)