

REPORT TO: **[INSERT RELEVANT COMMITTEE NAME]**

DATE: **[DATE]**

REPORT BY: **NWRWTP PROJECT MANAGER**

SUBJECT: **PROJECT BUDGET REVISION**

1. PURPOSE OF REPORT

- 1.1. To present the revised budget for 2013/14 for Members' approval.
- 1.2. To present the budget to the procurement stage of Financial Close for 2014/15 for Members approval.

2. BACKGROUND

- 2.1. The contents of this report were considered by the Joint Committee at their meeting of 29 January 2014 and it was agreed that it be recommended for approval by the partner authorities.
- 2.2. The Joint Committee approved a project budget to the stage of Preferred Bidder selection at it's meeting in July 2013. The approved budget for the year 2013/14 was £455,862 within a total net projected project expenditure of £3,000,367 summarised in the table below.

NWRWTP Budget Review June 2013

(To preferred bidder selection. Excludes advisor fees from preferred bidder through to contract award)

EXPENDITURE HEADING	A2008/9 - 2012/13	P2013/14	P2014/15 Q1	PTotal
TOTAL PROJECT MANAGEMENT COSTS	1,369,916	261,088	23,864	1,654,868
TOTAL ADVISOR COSTS	2,110,381	285,150	0	2,395,531
CONTINGENCY	0	109,624	0	109,624
TOTAL COSTS	3,480,297	655,862	23,864	4,160,023
LESS INCOME	959,656	200,000	0	1,159,656
NET COST	2,520,641	455,862	23,864	3,000,367
Per AUTHORITY equal shares	504,128	91,172	4,773	600,073

- 2.3. Before calling for final tender Wheelabrator Technologies Inc (WTI) provided a price update paper to the NWRWTP Project team. The paper indicated that WTI's CFT submission would represent a significant increase in costs to that set out in WTI's refined ISDS submission. This unexpected development created an extra demand on resources to examine WTI's position in detail and consider alternative options of service delivery.
- 2.4. At the September 2013 meeting of the NWRWTP Joint Committee the Project Manager advised Members that as a result of the additional work undertaken there would be an increase in expenditure and the project budget would have to be re-visited.
- 2.5. The first Inter-Authority Agreement (IAA) regulates the procurement project up to the position of Financial Close. The projected procurement project net

expenditure included in the IAA is £3,198,673. To reach the milestone of Financial Close a budget is required that extends into Q1 of 2014/15.

3. CONSIDERATIONS

3.1. Expenditure to the end of Q3 2013/14 v the approved budget is summarised in the following table. The reported overspend of £268,869 is largely due to a timing difference on the receipt of grant monies to be received from WG and the additional work resulting from WTI's price update paper.

SUMMARY BUDGET MONITORING REPORT as at 31 December 2013								
EXPENDITURE HEADING	ANNUAL BUDGETv5	YEAR TO DATE 2013/14			TOTAL PROJECT BUDGETv5	CUMULATIVE PROJECT TO DATE		
		BUDGET	ACTUAL	BUD-ACT VARIANCE - = OVER; + = UNDER		BUDGET	ACTUAL	VARIANCE
PROJECT MANAGEMENT COSTS	261,088	224,353	241,437	-17,084	1,654,868	1,594,269	1,611,353	-17,084
ADVISOR COSTS	285,150	281,400	383,760	-102,360	2,395,531	2,391,781	2,494,142	-102,360
CONTINGENCY	109,624	50,575	0	+50,575	109,624	50,575	0	+50,575
TOTAL COSTS	655,862	556,329	625,197	-68,869	4,160,023	4,036,626	4,105,494	-68,869
LESS INCOME	200,000	200,000	0	+200,000	1,159,656	1,159,656	959,656	+200,000
NET COST	455,862	356,329	625,197	-268,869	3,000,367	2,876,970	3,145,838	-268,869
Per AUTHORITY equal shares	91,172				600,073			

3.2. The project procurement programme has been revised. Preferred Bidder approval by each of the Partnership Authorities will take place during February/March 2014. Financial Close is scheduled to be completed during June 2014.

3.3. The approved 2013/14 budget has been reviewed in the light of actual expenditure incurred to date (Dec 2013). The project team have also assessed the input required from advisors to get to the point of Financial Close. The updated procurement project budget to the point of Financial Close is shown in the table below.

NWRWTP Budget Review January 2014 (To financial close)

EXPENDITURE HEADING	A2008/9 - 2012/13	P2013/14	P2014/15 Q1	PTotal
TOTAL PROJECT MANAGEMENT COSTS	1,369,916	302,061	59,128	1,731,105
TOTAL ADVISOR COSTS	2,110,381	478,010	182,750	2,771,142
CONTINGENCY	0	15,487	79,188	94,675
TOTAL COSTS	3,480,297	795,558	321,066	4,596,922
LESS INCOME	959,656	200,000	0	1,159,656
NET COST	2,520,641	595,558	321,066	3,437,266
Per AUTHORITY equal shares	504,128	119,112	64,213	687,453

Total procurement project net expenditure is projected to be £3,437,266 being £238,593 (+7.5%) greater than that contained in the IAA. The projected net expenditure for the current year is £595,558. The key assumptions that underpin these projections are attached in Appendix 1. A more detailed breakdown of the expenditure headings is attached in Appendix 2

- 3.4. The IAA Agreement provides that where actual costs associated with the project are likely to exceed the approved annual Project budget held on behalf of the Councils by 5% this will be a Matter Reserved To the Councils.
- 3.5. Individual Councils will also need to consider budget requirements beyond Financial Close noting the following points.
- The second IAA will need to be executed before the JC is able to approve budgets beyond the financial close stage.
 - The requirements for the project beyond financial close need to be identified and agreed.
 - Individual Councils will need to be able to plan for costs now (at least in 2014/15) ahead of the second IAA being formally agreed.
 - The Project Director previously identified (May 2011) the potential cost of a Contract Management Team plus External Advisors of between £307,000 to £359,000 per annum. Further advice is being sought on this matter from sources in WG.

4. RECOMMENDATIONS

Members of [insert partner authority] are asked to:-

- 4.1. Approve the proposed 2013/14 revised budget it being £595,558 (as set out in the report).
- 4.2. Approve expenditure in 2014/15 to take the procurement process to the final stage of Financial Close it being £321,066 (as set out in the report).
- 4.3. For the Joint Committee members to approve the ongoing project budget requirements referred to in point 3.5 above.

5. FINANCIAL IMPLICATIONS

- 5.1. See sections 3.1 to 3.5 above

6. ANTI-POVERTY IMPACT

- 6.1. Not applicable.

7. ENVIRONMENTAL IMPACT

- 7.1. Not applicable.

8. EQUALITIES IMPACT

- 8.1. Not applicable.

9. PERSONNEL IMPLICATIONS

- 9.1. see Appendix 1 Key assumptions item 3.

10. CONSULTATION REQUIRED

10.1. See above.

11. CONSULTATION UNDERTAKEN

11.1. Not applicable.

LOCAL GOVERNMENT ACCESS TO INFORMATION ACT 1985

Background Documents:

None

Contact Officer: Steffan Owen NWRWTP Project Manager

Appendix 1 – Key Assumptions

1. The successful appointment of Preferred Bidder by individual Councils will be completed during the months February/March 2014.
2. Financial Close will be completed on or before 30th June 2014.
3. Staffing
 - Project Director 2 days per week
 - Full time Project Manager
 - Full time Administrative Assistant
 - Lead Financial 1 day every 2 weeks
 - Lead Technical 1 day every 2 weeks
 - Lead Legal 1 day per week
4. Advisors fees are based on advisors anticipated levels of activity in the run up to Financial Close that being most intense during the months April – June 2014. An allowance of 1 day's attendance by the external advisors in three out of the five Councils has been provided for.

Appendix 2 – Detailed Projected Project Expenditure

EXPENDITURE HEADING	A2008/9	A2009/10	A2010/11	A2011/12	A2012/13	P2013/14	P2014/15	PTotal
Project Director	57,706	106,622	142,000	161,490	123,263	100,314	20,625	712,021
Project Director Travel etc	45	8	1,183	60	0	0	0	1,295
Project Manager	0	35,051	54,197	55,695	56,970	57,536	14,384	273,832
Project Manager travel and other expenses	0	0	2,161	1,298	998	1,135	1,250	6,842
Administrative assistance	1,237	0	33,599	27,773	27,761	28,021	7,004	125,396
Lead finance	0	0	0	35,735	42,543	43,406	3,617	125,301
Interim finance	0	0	38,000	0	0	0	0	38,000
Lead Technical	0	0	30,432	37,000	26,998	17,717	1,490	113,638
IT/ Telephones	0	1,077	1,290	1,630	738	1,126	300	6,162
Software	0	6,670	0	4,020	0	0	0	10,690
Stationery/Printing	0	630	161	2,622	2,048	1,215	240	6,915
Translation	0	3,928	2,687	2,511	2,977	3,781	1,500	17,384
Status enquiries	0	101	127	0	0	0	0	228
Remote document managements system	0	0	11,511	0	2,440	1,760	480	16,191
Advertising	18,981	0	3,000	6,261	3,997	1,721	0	33,961
Joint Working	0	0	4,000	0	0	0	0	4,000
Procurement recharge	0	0	405	0	0	0	0	405
Finance recharge	0	0	0	0	0	0	0	0
Legal recharge	0	29,797	23,472	28,984	29,466	29,415	4,238	145,372
Office accommodation recharge	0	0	4,379	0	0	0	0	4,379
Venues	1,348	5,668	14,865	28,745	7,768	7,911	2,250	68,556
Audit fees	0	0	0	0	11,787	7,000	1,750	20,537
TOTAL PROJECT MANAGEMENT COSTS	79,316	189,553	367,468	393,823	339,755	302,061	59,128	1,731,105
								0
Technical advisors - Entec/Amec	0	149,824	350,862	272,830	227,230	164,937	33,750	1,199,433
Technical advisors - Entec/Amec Sauce	0	0	0	34,210	47,912	25,275	30,000	137,398
Legal advisors - Pinsent Mason	0	33,850	151,792	235,664	146,303	210,565	90,000	868,174
Financial advisors - Grant Thornton	0	32,701	111,523	122,907	82,243	77,233	24,000	450,606
Other advisors - AECOM/Acer	0	0	83,786	12,950	1,190	0	0	97,926
Insurance advisors - Jardine Lloyd Thompson	0	0	1,984	1,121	9,500	0	5,000	17,605
	0	0	0	0	0	0	0	0
TOTAL ADVISOR COSTS	0	216,374	699,946	679,682	514,379	478,010	182,750	2,771,142
Potential site survey costs	0	0	0	0	0	0	55,000	55,000
Contingency - comms	0	0	0	0	0	0	0	0
Contingency - general (10%)	0	0	0	0	0	15,487	24,188	39,675
TOTAL COSTS	79,316	405,928	1,067,414	1,073,506	854,134	795,558	321,066	4,596,922
					0	0	0	0
WAG Contribution	75,000	345,000	200,000	0	310,000	200,000	0	1,130,000
Other Income	0	0	0	0	29,656	0	0	29,656
TOTAL INCOME	75,000	345,000	200,000	0	339,656	200,000	0	1,159,656
NET COST	4,316	60,928	867,414	1,073,506	514,477	595,558	321,066	3,437,266

