APPENDIX VI

Latest Revenue projections: New Waste Operating Model

Table 1: Current operating budget vs. WRAP baseline budget

Kerbside sort / 4 weekly residual / central depot option, excluding all capital in the first 7 years		
Annual Revenue	**DCC (Scenario 2)**	**WRAP (Scenario 1)**
Baseline	£5,636,438	£6,045,739
Central Depot	£5,024,599	£5,149,394
Saving	£611,839	£896,345
Saving after Prudential borrowing (£343K pa)	**£277,185***	**£561,691**
Avoidance of blue bin comingled treatment cost	**£549,130**	**£833,636**

*This figure reflects the ongoing need to replace fleet that were last purchased outright through capital monies

Scenario 1 is the cost of the service as modelled through the WRAP KAT modelling tool, used to inform the decision making process and reported to Cabinet last year. Scenario 2 is the cost of the new service, compared to the baseline service cost calculated by the DCC finance team. Scenario 2 has been produced in recognition that a more accurate financial position should be determined as modelling data does not always reflect localised costs. Whilst the KAT modelling did use information provided by DCC, it required updating. The difference between the two models and the reasons for the differences were reviewed by Cabinet in July 2019.

On 18 December 2018, Cabinet agreed to the service changes providing that the whole project would deliver least £500K annual revenue benefit to the Council over the first seven years. At the time of the decision, the anticipated revenue saving in the WRAP KAT modelling scenario was £807K per annum.

Now that more is understood about the preferred depot location, the whole project costs in both scenarios have increased, which therefore increases the requirement for prudential borrowing, and reduces the revenue savings. However, this is balanced out (and more) by a significant increase in the cost of our existing service from April 2020, which we will incur until we are able to change our model. Market intelligence projects that the cost of treating our blue bin recycling is set to double at the end of our existing contract term in April 2020. Using the WRAP revenue model (which the Business Case presented to Cabinet on 18th December 2018 was based on), the service change will now result in an anticipated cost reduction of £562k, even if we do

not account for the increased costs we know we will occur from April 2020. However, if we do account for the increase in blue bin recycling gate fee costs from April 2020, the anticipated cost reduction is £834k. Either way the project still satisfies the requirements of the Cabinet decision of 18th December 2019.

In **Scenario 2** DCC Finance's figures, more accurately reflect the actual budget position before and after the service change. This work has been carried out jointly by WRAP, DCC Finance and waste officers to ensure consistency and minimise assumptions. The current budget is lower than the WRAP baseline predominantly due to the fact that we are not incurring any lease or finance costs for a proportion of our fleet vehicles, as historically they were bought outright. WRAP baseline costs have assumed all vehicles were financed through Prudential Borrowing. In reality, as these vehicles approach end of life, they would be replaced through Prudential Borrowing, so in the next 4-5 years the revenue costs would increase if the service did not change. Therefore, to model fairly, WRAP have correctly costed the service on all vehicles being financed.

In Scenario 2, the revenue benefits of the service change are still over the £500k affordability threshold (at £549K), when taking into account the increase in comingled blue bin recycling treatment costs we will experience from April 2020.