

## JWS Budget Proposal 2024-25

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### Introduction

For Joint Waste Solutions (JWS), the annual budgeting process brings together the costs from the joint contract authorities, Surrey County Council (SCC) and the Surrey Environment Partnership (SEP) into a single budget. In 2020-21, a comprehensive zero-based budgeting exercise was carried out to ensure that all components of the budget were fully understood, cost-effective and relevant. The proposed budget for 2024-25 builds on this exercise. However, it should be noted that in October 2023 when JWS had been working with SEP partners to develop a four-year medium term financial strategy (MTFS), SCC outlined their desire to reduce their contribution to the SEP by £300k. Unfortunately, the late arrival of this position has not allowed sufficient time for the potential implications on the inter-authority agreement (IAA) of a reduction in SCC funding to be fully understood, and for the SEP programme and resources to be developed. As such, the proposed budget for 2024-25 should be treated as draft.

### Budget Areas

JWS are responsible for managing a range of budgets, which are set out in Figure 1 below.

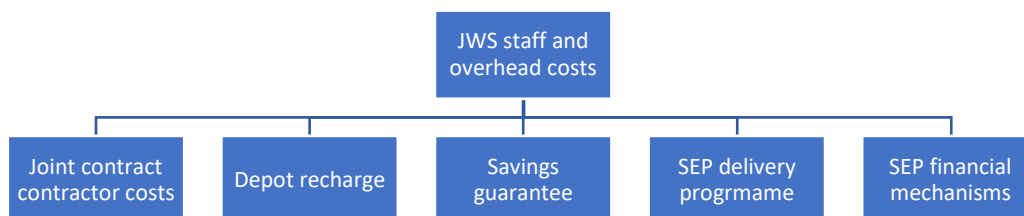


Figure 1: JWS budget areas

The SEP delivery programme and SEP financial mechanisms will be considered by the SEP. The remaining four budget areas set out in Figure 1 will be discussed in turn.

### JWS staff and overhead costs

Staff and overhead costs are projected to be £262,014 higher in 2024-25 than in 2023-24. Appendix 3 shows the projected costs in 2024-25 and Appendix 4 the cost changes by budget heading when compared to 2023-24. These costs are divided into eight budget areas, which are discussed in more detail below.

#### Salaries

Salary costs are projected to increase by £187,165 to £2,236,990. The increase is as a result of a proposed 4% pay award by SHBC and additional overheads for pension contributions and the apprenticeship levy that have not been applied to JWS salaries up until now.

The salaries budget has been split into partner shares based on the allocation of staff time on work for the joint contract authorities, SCC and SEP. These allocations remain the same as last year and are shown at the top of Appendix 3 for 2024-25. The partner shares of the salaries budget are then applied to other shared fixed costs, as detailed below.

#### *Team costs*

Team costs have been reduced by £12,382 compared to 2023-24. This is mostly due to lower estimates of mileage and parking expenses which have been based on more recent expenditure. There has also been a £5,000 reduction in the staff training budget.

#### *Support costs*

Support costs total £128,401 and include software licenses as well as support from Finance, Legal, ICT, HR and Democratic Services. Support service costs have mostly increased in line with the 4% pay award, and also include the additional overheads as set out in the salaries section above. In addition to this, the Finance support costs have been re-based and IT software costs are expected to increase slightly.

#### *Office costs*

The office costs budget has been reduced by £21,000. This is based on the assumption that JWS will leave Dukes Court in Woking when the lease expires in August 2023, and will then occupy somewhere that has 50% of the cost from then on.

Investigations into alternative locations are currently being explored so depending on the outcome of this work office costs could be reduced further once JWS vacates Dukes Court, but this cannot be quantified at the present time.

#### *Health and safety support*

This budget for this has remained unchanged at £2,500.

#### *Joint contract authority only budgets*

The three remaining JWS budgets are divided four ways between the joint contract authorities as they relate exclusively to joint contract activity.

Contract specific legal support is provided by both the Surrey Heath legal team and external consultants.

The proposed communications and engagement budget has reduced by £4,500. This is mostly due to revised estimates on the required quantities of business-as-usual materials such as bin hangers, stickers, parking notices and recycling bags.

The remaining contract specific budget relates to business continuity. This remains at £2,500.

### **Amey contract costs**

#### *Core charges and variable charges*

Core charges are based on projecting the number of properties requiring each type of service and the kilometres of streets that need to be cleaned in 2023-24 and multiplying these sums by the contractual unit rates. There is an agreed mechanism for reviewing household numbers based on the number of additional properties that are projected to be built in the following financial year. The unit rates are then inflated by contract indexation.

The variable charges include those costs that can vary from month to month, such as bulky waste collections and garden waste subscriptions. These have been estimated based on available data from preceding contract years and multiplied by the contractual unit rates. Again, these rates have been inflated by contract indexation. A full breakdown of the variable budgets by service area will be provided to the authorities after the meeting.

Contract indexation is calculated using the percentage increase or decrease in each applicable index published for the 12 months ending on 31st January each year. The weighting of the applicable indices is shown in the table below:

	Index	Proportion of costs subject to the index in percentage
Labour	Average Weekly Earnings Index (EARN01) as published by the Office for National Statistics (ONS)	76.59%
Fuel	Ultra Low Sulphur Diesel (ULSD) contained in the Weekly Road Fuel Prices published by the Department of Energy & Climate Change (DECC)	10.29%
Other	CPI	13.12%

When agreeing the budget for 2023-24 an uplift rate of 10% was used, however the final figure was 6.85%. This has resulted in core and variable rates being lower than budgeted for – a variance which will carry forward into 2023-24 figures. It should be noted, as set out on the budget monitoring report, that this figure is still to be agreed with Amey.

The most recent figures available at the time of writing show a contract inflation of 2.55% for the year to date, this has been increasing steadily throughout the year. Estimating how these figures will change is always difficult. The recent figures had started to show a downward trend in fuel prices, this has now plateaued at the last update, while both CPI and Labour elements continue to rise.

As such, and following discussion with finance leads from the authorities, a figure of 7% has been built into this proposal. A final calculation of indexation will take place in March 2022 using the published January figures as per the contract, and revised estimated costs will then be shared with the Joint Contract authorities.

Appendix 1 shows the budgeted core and variable contract costs for both 2022-23 and 2023-24.

Given the probability that further changes to each of the indices are to be anticipated between the writing of this report and final published figures being available, details have also been provided in Appendix 1 for the impact that an additional 1% in indexation would have to both the core and variable costs in each area.

### *Driver market supplement*

In December 2021 the authorities agreed to support increased HGV driver wages through a market supplement payment. This was agreed separately to the 2022-23 budget. The terms around this were further discussed in March 2022. The market supplement agreement includes a condition which each year reduces the rate paid in line with the Labour index used in the uplift calculation. Applying this condition (using the figures utilised in the estimated 7% uplift for 2024-25) reduces the rate payable by the Authorities to zero for 2024-25.

The driver market supplement was included in the variable budget line last year, and therefore this accounts for the overall reduction to the variable budget, offsetting increases that are seen as a result of changes in quantities and the uplift to contract rates. The exception to this is in Elmbridge, which sees a greater reduction as garden waste customer numbers budgeted for in 2023-24 have been reassessed and revised down.

### **Other contract costs**

Other contract costs relate to the cost of managing WEEE and textiles. While there is no direct cost to either of these the small budget here has been retained in the event that excessive contamination at a bring bank results in recharged disposal costs, as is allowed under the respective agreements. This has not happened to date.

### **Depot rental and business rates recharge**

All four joint contract depots were valued before contract mobilisation and an estimated rental value was provided by an independent valuer. These have been applied to a steady state partnership share calculated as per the Inter Authority Agreement (IAA) and this has been allocated to each authority. This does not include the full value of the depots but rather the reapportionment of depot values according to the partnership share. The details of this calculation can be found in Appendix 5 and does not change from year to year.

It has been agreed that business rates and depot insurance will be paid directly by the authority who owns the depot rather than any apportionment being carried out. These costs have therefore not been included in this budget.

### **Savings guarantee**

During the procurement of the joint contract, it was agreed that all partners would benefit from going to market together and therefore all should benefit financially from any collective savings. The IAA states that all authorities should save at least £100k per year, with those authorities making the greatest savings compensating those that saved less than this threshold.

In March 2018, Section 151 officers from each authority agreed a formula to calculate these savings for the length of the contract. The implications of this for each authority are set out in Appendix 1 and does not change from year to year.

### **Procurement project (additional funding)**

In order to commence work to review the Inter Authority Agreement (IAA) and develop a procurement strategy for a new contract (when the existing contract expires in June 2027), financial provision will need to be made for a procurement team and legal, procurement and technical support.

The Head of Commercial will lead the review of the IAA and the development and implementation of the procurement strategy. It is envisaged that the Head of Commercial will require support from 2 x Senior Officer roles. These have been costed in the table below.

During year 1 of this project, procurement support will be required to develop the procurement strategy, legal support will be required to review and update the existing contract, and technical support will be required to develop the contract specification and undertake modelling to forecast future service provision (tonnage to be collected and method(s) of collection). It is hoped that procurement and legal support could be purchased from one of the joint contract authorities, but financial provision has been made for this to be outsourced if resources are not available. Technical support is likely to be procured from a technical waste consultancy. Assumptions have been made to support the costings in the table below.

For Year 1 of the project, we are seeking approval for a budget of £284,696. Wherever possible, we will aim to minimise the cost of resources by delivering the project through the procurement team and staff from JWS who are funded to work on the joint contract. Consultancy support will only be procured where necessary.

Support for Year 1 (2024-25)	Salary / Consultancy Cost	NI @13.80%	Pension (Primary) @17.20%	Pension (Fixed) @7.30%	Apprenticeship Levy @0.50%	Total Budget
Senior Officer 1	£39,515	£5,453	£6,797	£2,885	£198	<b>£54,848</b>
Senior Officer 2	£39,515	£5,453	£6,797	£2,885	£198	<b>£54,848</b>
Procurement	£25,000	N/A	N/A	N/A	N/A	<b>£25,000</b>
Legal	£75,000	N/A	N/A	N/A	N/A	<b>£75,000</b>
Technical	£75,000	N/A	N/A	N/A	N/A	<b>£75,000</b>
<b>Total Budget</b>	<b>£254,030</b>	<b>£10,906</b>	<b>£13,594</b>	<b>£5,770</b>	<b>£396</b>	<b>£284,696</b>

## Recommendations

The Joint Committee is asked to:

- Agree the 2024-25 JWS staff and overheads budgets, subject to any changes in the funding provided by SCC to SEP.
- Agree the 2024-25 joint contract budgets, including the removal of an allowance for the driver market supplement.
- Agree the additional financial provision to review the IAA, develop a procurement strategy for the new contract and commence the tender process.
- Commend the above to their individual authorities for approval.

## Appendix 1: Summary

### Budget breakdown 2023-24

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£4,480,932	£2,568,867	£4,117,425	£3,165,015	£14,332,239	£0	£0	£14,332,239
Amey variable contract costs	£944,648	£636,556	£523,167	£626,637	£2,731,007	£0	£0	£2,731,007
Other contract costs	£125	£125	£125	£125	£500	£0	£0	£500
JWS staff and overhead costs	£399,750	£399,750	£399,750	£399,750	£1,599,000	£453,481	£497,917	£2,550,398
Depot cost to authority	-£52,797	£125,370	-£117,329	£44,756	£0	£0	£0	£0
Savings guarantee	£245,709	-£529,375	£43,804	£239,862	£0	£0	£0	£0
<b>Total</b>	<b>£6,018,366</b>	<b>£3,201,293</b>	<b>£4,966,942</b>	<b>£4,476,145</b>	<b>£18,662,746</b>	<b>£453,481</b>	<b>£497,917</b>	<b>£19,614,144</b>

### Budget breakdown 2024-25

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£4,667,200	£2,682,724	£4,284,468	£3,300,802	£14,935,194	£0	£0	£14,935,194
Amey variable contract costs	£802,301	£616,023	£502,339	£536,247	£2,456,909	£0	£0	£2,456,909
Other contract costs	£125	£125	£125	£125	£500	£0	£0	£500
JWS staff and overhead costs	£447,717	£447,717	£447,717	£447,717	£1,790,868	£486,916	£534,628	£2,812,412
Depot cost to authority	-£52,797	£125,370	-£117,329	£44,756	£0	£0	£0	£0
Savings guarantee	£245,709	-£529,375	£43,804	£239,862	£0	£0	£0	£0
<b>Total</b>	<b>£6,110,255</b>	<b>£3,342,584</b>	<b>£5,161,123</b>	<b>£4,569,509</b>	<b>£19,183,471</b>	<b>£486,916</b>	<b>£534,628</b>	<b>£20,205,015</b>

**Impact of additional 1% uplift on contract costs 2024-25**

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£43,619	£25,072	£40,042	£30,849	£139,581	£0	£0	£139,581
Amey variable contract costs	£7,498	£5,757	£4,695	£5,012	£22,962	£0	£0	£22,962
<b>Total</b>	<b>£51,117</b>	<b>£30,829</b>	<b>£44,737</b>	<b>£35,860</b>	<b>£162,543</b>	<b>£0</b>	<b>£0</b>	<b>£162,543</b>

**Appendix 2: Change from 2023-24 to 2024-25**

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£186,269	£113,857	£167,042	£135,788	£602,955	£0	£0	£602,955
Amey variable contract costs	-£142,347	-£20,533	-£20,828	-£90,390	-£274,099	£0	£0	-£274,099
Other contract costs	£0	£0	£0	£0	£0	£0	£0	£0
JWS staff and overhead costs	£47,967	£47,967	£47,967	£47,967	£191,868	£33,435	£36,712	£262,014
Depot cost to authority	£0	£0	£0	£0	£0	£0	£0	£0
Savings guarantee	£0	£0	£0	£0	£0	£0	£0	£0
<b>Total</b>	<b>£91,889</b>	<b>£141,291</b>	<b>£194,181</b>	<b>£93,364</b>	<b>£520,724</b>	<b>£33,435</b>	<b>£36,712</b>	<b>£590,871</b>



### Appendix 3: JWS 2024-25 staff and overheads budget breakdown

Proportions	Joint Contract authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Office	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Salaries	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Team costs	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Support costs (SHBC)	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Health & Safety support	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Contract legal and technical support	25.00%	25.00%	25.00%	25.00%	100.00%			100.00%
Comms & engagement	25.00%	25.00%	25.00%	25.00%	100.00%			100.00%
Business Continuity and Risk Management	25.00%	25.00%	25.00%	25.00%	100.00%			100.00%
SEP county-wide work programme							100.00%	100.00%

Costs	Joint Contract authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Salaries	£334,564	£334,564	£334,564	£334,564	£1,338,258	£428,378	£470,354	£2,236,990
Team costs	£12,872	£12,872	£12,872	£12,872	£51,489	£16,482	£18,097	£86,068
Support costs (SHBC)	£19,204	£19,204	£19,204	£19,204	£76,815	£24,589	£26,998	£128,401
Office	£13,269	£13,269	£13,269	£13,269	£53,074	£16,989	£18,654	£88,717
Health & Safety support	£374	£374	£374	£374	£1,496	£479	£526	£2,500
Contract legal support	£36,559	£36,559	£36,559	£36,559	£146,236			£146,236
Comms & engagement	£30,250	£30,250	£30,250	£30,250	£121,000			£121,000
Business Continuity and Risk Management	£625	£625	£625	£625	£2,500			£2,500
<b>Total</b>	<b>£447,717</b>	<b>£447,717</b>	<b>£447,717</b>	<b>£447,717</b>	<b>£1,790,868</b>	<b>£486,916</b>	<b>£534,628</b>	<b>£2,812,412</b>

**Appendix 4: JWS 2023-24 to 2024-25 staff and overheads budget change**

Costs	Joint Contract Authorities				Total JCAs	SCC	SEP	Total
	EBC	WBC	SHBC	MVDC				
Salaries	£27,992	£27,992	£27,992	£27,992	£111,969	£35,841	£39,354	£187,165
Team costs	-£1,852	-£1,852	-£1,852	-£1,852	-£7,407	-£2,371	-£2,603	-£12,382
Support costs (SHBC)	£3,114	£3,114	£3,114	£3,114	£12,457	£3,988	£4,378	£20,823
Office	-£3,142	-£3,142	-£3,142	-£3,142	-£12,568	-£4,023	-£4,417	-£21,008
Health & Safety support	£0	£0	£0	£0	£0	£0	£0	£0
Contract legal and technical support	£22,979	£22,979	£22,979	£22,979	£91,916			£91,916
Comms & engagement	-£1,125	-£1,125	-£1,125	-£1,125	-£4,500			-£4,500
Business Continuity and Risk Management	£0	£0	£0	£0	£0			£0
<b>Total change</b>	<b>£47,967</b>	<b>£47,967</b>	<b>£47,967</b>	<b>£47,967</b>	<b>£191,868</b>	<b>£33,435</b>	<b>£36,712</b>	<b>£262,014</b>

**Appendix 5: Depot Recharge calculation – 2019-20 onwards**

	<b>EBC</b>	<b>WBC</b>	<b>SHBC</b>	<b>MVDC</b>	<b>Total</b>
Depot valuation	£294,000	£25,000	£328,000	£116,300	£763,300
Partnership share*	31.60%	19.70%	27.60%	21.10%	100.00%
Share of depot costs based on partnership share	£241,203	£150,370	£210,671	£161,056	£763,300
<b>Net cost to authority</b>	<b>-£52,797</b>	<b>£125,370</b>	<b>-£117,329</b>	<b>£44,756</b>	<b>£0</b>

\*Partnership share calculation based on 2017-18 quantities x agreed rates plus indexation of 2.78%