

Title: Joint Waste Solutions: Q3 2023-24 Budget and Finance Report

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Introduction

This report sets out the position for Joint Waste Solutions as at quarter three and the projected outturn for the 2023-24 financial year.

Budget Update

Annex 1 shows the Contract Management Office (CMO) income and expenditure to the end of quarter three 2023-24. CMO year-end expenditure is projected to be £2,630,515 which when set against a combined annual budget and carry forward allocation of £2,642,190 represents an overall projected underspend for the year of £11,675.

Budget Variances

Budget variances from Annex 1 which have been considered material have been explained in more detail below.

CMO Variances

The salaries budget is projecting a £26,591 overspend which is primarily due to having to pay a fixed pension charge estimated to be £115,728 which was not included in this year's budget. This charge would normally be included in the budget as part of salary on-costs but due to an accounting oversight this was not accounted for. There are two elements to the contribution that partners should pay towards pension on-costs, a primary charge, and a fixed charge, but unfortunately only the primary charge was included in the budget.

Year	Pension Deficit	JWS share	Distributed Share (based on current agreed salary split)					
			SHBC	Elmbridge	Mole Valley	Woking	SCC	SEP
23/24	£976,000	£115,728	£17,308	£17,308	£17,308	£17,308	£22,162	£24,333

Expenditure against the Team budget is projected to be £34,550 lower than budgeted. This is mainly from reduced spending on training and travel budgets. Expenditure on parking has also greatly reduced because working from home has cut down the number of parking spaces needed at Dukes Court.

Contract Variances

The Core contract budget is projecting an underspend of £409,903. This is because the budget approved by members in November 2022 for 2023-24 included an estimated 10% inflationary uplift, which is more than the final figure of 6.85% from January 2023.

The Variable contract budget is projecting an underspend of £411,740 which is broken down as follows (negative is overspend):

Budget Area	Elmbridge	Mole Valley	Surrey Heath	Woking	Total
Garden Waste	72,295	13,818	-19,212	-4,353	62,548
Assisted Collections	733	-890	1,724	1,510	3,077
Non-Dom Collections	13	202	90	51	356
Bulky Collections	14,083	16,530	21,818	22,962	75,393
Clinical Collections	7,938	61	3,300	2,297	13,596
Add Instructed Collections	-4,316	399	-162	-46	-4,125
Container Delivery	2,442	7,072	-3,947	4,412	9,980
Container Provision	36,513	32,533	-4,780	-10,963	53,303
Day Works	2,029	1,529	293.97	2,329	6,181
Performance Deductions	98,999	28,174	9,914	21,344	158,432
Total	230,730	99,429	9,040	39,542	378,740

The underspend within Variable is due to two elements:

- i) Performance deductions are not included in the base budget and £158,432 has been received to Q3.
- ii) Additionally, there is an underspend driven by reduce demand for Bulky Waste Collections. In Elmbridge Garden Waste customers are lower than budgeted. This has also led to lower than budgeted Container costs as fewer garden waste bins have been supplied and delivered. However, in Surrey Heath and Woking customer numbers are higher than estimated and has resulted in increased demand for containers. Further, the lower than budgeted inflationary uplift has also reduced costs by £48,276.

Indexation

The rate of uplift to be applied from 1st April this year has still not been agreed. When the calculation is performed in the usual way the uplift is 6.85%, however, Amey is trying to change the way the calculation is done and has so far produced two different uplift figures, 7.2% and 7.28%. The first of these was calculated using an out-of-date labour index. Amey's second attempt used labour indices that were not published by the Office for National Statistics until 16th May 2023. This is not in line with paragraph 10.2 of schedule 7 of the joint contract which states that the indexation adjustment must be applied on the first day of April. Amey proposed holding a meeting to discuss this further, which JWS has agreed to. However as yet no dates for the meeting have been offered by Amey.

Recommendation

It is recommended that Members note this report.