

Joint Waste Solutions 2019/20 Budget
10 December 2018



The proposed Joint Waste Solutions budget for 2019/20 is for a total of £22,086,341.

This is broken down as follows:

	Budget
Amey contract costs	£13,521,201
Contract Management Office (CMO) costs	£2,399,337
Depot rental recharge	(Zero net cost)
Savings guarantee	(Zero net cost)
SWP joint budget	£340,500
SWP financial mechanisms	£5,825,303
Total	£22,086,341

A number of these items are effectively a pass-through, with Joint Waste Solutions (JWS) managing the budget in question and all associated payments. These have been included in the draft budget for completeness.

Annex A, attached, shows how the draft 2019/20 budget compares with the 2018/19 budget, together with a breakdown of the 2019/20 budget for each of the four Joint Contract authorities, Surrey County Council (SCC) and the Surrey Waste Partnership (SWP). Annex B shows a more detailed breakdown of the budgeted CMO costs. Annexes C and D show how the draft budget compares with the previous year's budget from the perspective of the Joint Contract authorities and SCC respectively.

This is the first time that the total costs from the Joint Contract authorities, SCC partnership functions and SWP have been brought together into a single budget. This means that year-on-year comparisons of individual budget lines are difficult to make. In addition, this join-up process means that a number of assumptions have had to be made in order to build a single budget, and these assumptions will be monitored going forward and revised as appropriate. In doing so, JWS will seek to reduce spend wherever possible.

Amey contract costs

Contract costs are divided into 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 2019/20 and multiplying these sums by the contractual unit rates. The unit rates are 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 2018/19 and multiplied by the contractual unit rates. Again, these rates have been inflated by contract indexation.

Contract indexation is calculated using the percentage increase or decrease in each applicable index published for the 12 months ending on 31st January 2019. In order to create this budget, the same methodology has been applied using the most recent 12 months of

data currently available. This gives an estimated contract indexation value of 4%, which has then been applied to the core and variable cost projections for 2019/20. A final calculation of indexation will take place in March 2019 as per the contract and revised costs will then be shared with the Joint Contract authorities.

The proposed budget for 2019/20 represents a year-on-year increase greater than just the 4% indexation factor. This is because 2019/20 will be the first year in which the whole contract will have been fully mobilised across all four partner authorities. At individual borough level, year-on-year increases will be due to the impact of projected increases in property numbers on top of the annual indexation.

CMO costs

CMO costs show a significant year-on-year increase from 2018/19. This is because all staff costs, office costs and support costs now fall under the CMO, making year-on-year comparisons difficult.

Staffing costs

Staffing costs now include all JWS staff. From 1st April 2019, this will therefore represent staff costs for all current JWS CMO staff as well as staff who have been TUPE'd into JWS from the Joint Contract authorities, from Surrey County Council and from the Surrey Waste Partnership. In 2018/19, staff costs included a much smaller complement of JWS CMO core staff. With the TUPE process now completed, the year-on-year increase therefore reflects a significant change in staffing levels.

The salaries budget has been split into partner shares based on an estimated allocation of staff time on work for the Joint Contract authorities, for Surrey County Council and for the Surrey Waste Partnership. These proportions are shown in the table at the top of Annex B. On this basis, each of the Joint Contract authorities will contribute around 14.5% of the total budget. Surrey County Council and Surrey Waste Partnership will contribute roughly equal shares of the total budget, both at around 21.0% of the total. The nominal shares of the salaries budget have then been applied to a number of other budgets, as detailed below.

It should be noted that staff costs will be subject to the outcome of the staff consultation exercise.

Corporate support costs

Corporate support costs include finance, legal, ICT and HR support from Surrey Heath Borough Council (SHBC). Additional legal support from Sharpe Pritchard has been included separately, under other CMO costs in Annex A. The year-on-year decrease in these costs from 2018/19 is partly attributable to the fact that there will no longer be a need for accommodation and hosting within the SHBC offices.

This budget is allocated amongst the partner authorities pro-rata based on the nominal split of the salaries budget. Details of these allocations are shown in Annex B.

Communications/Marketing

This now includes all targeted communications, such as bin stickers and tags, as well as the county-wide communications campaigns to increase, for example, food waste and textiles recycling. A significant proportion of this budget (£70k) has been allocated for the cost of communicating with residents regarding proposed cross-boundary round reorganisations.

Amey have not yet proposed a timeline for this work; however, some changes are likely to take place in 2019/20 and therefore a budget has been allocated to cover this eventuality.

The significant decrease in these costs from 2018/19 is mainly due to the fact that the Surrey Waste Partnership has given a strong indication of their future work programme, enabling any duplication of activity to be taken out of this budget.

This budget is allocated across the Joint Contract authorities only, with each having an equal share. Surrey County Council and the Surrey Waste Partnership do not contribute to these costs. Details of all allocations are shown in Annex B.

Other mobilisation costs

With the mobilisation now complete, there will be no need to budget for these costs in 2019/20.

Other CMO costs

These costs are mainly comprised of office costs, team costs, and ICT costs. The significant year-on-year increase in this budget can be attributable to a number of factors.

We are currently looking at an office owned by Woking Borough Council as the preferred location for the JWS central hub in Woking. A budget of around £98k has been included for the costs of this office. This budget also includes telecoms costs (for mobile phones) and other consumables.

Team costs have been budgeted at around £70k. This includes items such as training and a small allocation for vehicle costs, but the main costs are for expenses and relocation allowances. In respect of the latter, £30k has been allocated to compensate staff for additional travel costs resulting from having to relocate their principle place of work. Again, this will be subject to the outcome of the staff consultation exercise.

A budget of around £43k has been allocated for ICT. This includes the development of a single website and intranet for JWS, the cost of laptops and mobile phones, and the costs of licenses for various software, including Box, the cloud-based file storage being used by the JWS team.

Smaller budget allocations have also been included for support on business continuity (£10k) and health & safety (£5k).

The budgets for office costs, team costs and ICT have been allocated amongst the partner authorities pro-rata based on the nominal split of the salaries budget. The budgets for health & safety and business continuity support are allocated across the Joint Contract authorities only, with each having an equal share. The details of all these allocations are shown in Annex B.

Surrey-wide communications

Surrey-wide communications costs are now included in the SWP joint budget.

Joint Contract authority shares

Annex C shows how the 2019/20 contributions to the CMO costs of each of the four Joint Contract authorities compare with those for 2018/19.

Depot rental recharge

All four depots have now been valued and an estimated rental value has been provided by an independent valuer. These have been applied to a steady state partnership share calculated as per the IAA and this has been allocated to each authority. These numbers are currently provisional, pending discussion and final agreement by the Section 151 Officers from the Joint Contract authorities.

Savings guarantee

This was agreed in March 2018 with each of the Section 151 Officers.

Surrey Waste Partnership joint budget

The SWP joint budget now only includes project costs. These costs have provisionally been estimated at around the same level as in 2018/19. All these costs have been allocated to SWP.

All staff costs have now been moved into the CMO budget, which has resulted in a significant year-on-year decrease in this budget item. Year-on-year comparisons are therefore not appropriate. These staff costs have been used in calculating the nominal split of the salaries budget which has been applied to other budget lines as detailed above.

Surrey Waste Partnership financial mechanisms

A new set of financial mechanisms for the SWP were proposed in November 2017, covering the three-year period from 2018/19 to 2020/21. The budget reflects the latest forecast of payments under these mechanisms.

Although much of this cost represents fixed payments to each of the Districts & Boroughs in 2019/20, this amount also includes a significant element of costs which are tonnage related. This is particularly in respect of tonnages of dry mixed recyclables, for which some authorities will be receiving a transitional payment whilst they continue to manage their own material. It should therefore be noted that the actual costs for this budget item could be higher or lower than the budget, depending on the tonnages of recycling collected. Any variation in these costs will be met by SCC.

Recommendation

The Joint Committee is asked to commend the 2019/20 JWS budget to the partner authorities for approval.