

Budget Proposal 2021/22
2nd December 2020
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Introduction

This is the third budget where the costs from the joint contract authorities, Surrey County Council (SCC) and the Surrey Environment Partnership (SEP) have been brought together into a single budget. Last year, 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 2021/22 builds on this exercise.

In November, the Contract Partnering Board commended this budget proposal to the Joint Committee for agreement and subsequent referral to the individual partner authorities for approval.

Budget areas

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

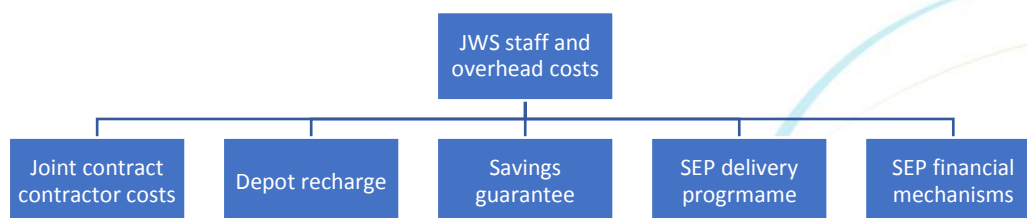


Figure 1: JWS budget areas

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 £19,683 lower in 2021/22 than in 2020/21. Annex 3 shows the agreed cost breakdown for 2020/21, Annex 4 the projected costs in 2021/22 and Annex 5 the cost changes by budget heading. These costs are divided into eight budget areas, which are discussed in more detail below.

Salaries

Salary costs are projected to increase by £22,183 to £2,007,809, dependent on the annual pay award from Surrey Heath Borough Council as host authority.

The salaries budget is split into partner shares based on the amount of staff time each team spends on work for the joint contract authorities, SCC and SEP. These have changed slightly from last year as a result of individual team costs changing from year to year and are shown at the top of Annex 4.

The partner shares of the salaries budget are then applied to other shared fixed costs, as detailed below and shown in Annex 4.

Team costs

Team costs are projected to total £113,931 in 2021/22. The largest costs within this budget relate to travel expenses, car allowances and staff training.

Support costs

Support costs total £117,515 and include software licenses as well as support from finance, legal, ICT, HR and democratic services.

Office costs

This budget totals £104,341 and includes all costs associated with the JWS head office in Woking, including rent, business rates, service charges and Wi-Fi.

Joint contract authority only budgets

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

The communications and engagement budget has reduced by £2,000 to £120,500 as a result of identifying a cheaper method for distributing service guides within the joint contract area. The distribution cost is now £23,000 with the remaining budget covering business as usual materials to support the running of the service, the JWS website, communications about any service changes and to tackle contamination issues, and the local amplification of SEP activities that aim to help reduce waste and increase recycling.

Contract specific legal support is provided by both the Surrey Heath legal team and external advisors and is projected to increase by £4,000 to £24,000 in 2021/22. This increase is a result of the need to re-procure contracts for the recycling of waste electricals and textiles next year.

The remaining two contract specific budgets relate to health and safety and business continuity. These budgets remain unchanged at £2,500 and £5,000 respectively.

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 2021/22 and multiplying these sums by the contractual unit rates. The number of properties currently collected from is added to an estimate of 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 2020/21 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 2020.

The impact of Covid-19 on economic activity means that indexation is fluctuating markedly on a month by month basis. The ongoing restrictions mean that estimating how these indices

may continue to change over the next two months is very difficult. Advice from finance colleagues is to use an indexation figure of 1% in this proposal. Every 0.25% increase on this uplift would cost the joint contract authorities an additional £63,526.

A final calculation of indexation will take place in March 2021 as per the contract and revised costs will then be shared with the Joint Contract authorities.

Annex 1 shows the budgeted core and variable contract costs for both 2020/21 and 2021/22. Actual core costs in 2020/21 are higher than budgeted for Elmbridge and Woking, and lower for Surrey Heath and Mole Valley. This variance carries into 2021/22 calculations and accounts for the drop in budgeted spend for Mole Valley.

Covid-19 has had a particular impact on the value of the variable invoices this year and may also impact them next year. The proposed variable invoice budget for 2021/22 does not include costs that can be directly attributed to Covid-19 and is estimated to increase by £145,954 to £1,926,268.

Should Covid-19 continue to impact on crew sickness levels in 2021/22, the estimated cost pressure would be £52,191 per month, based on the average cost borne by the partner authorities since April 2020. This cost would need to be offset against the Covid-19 support grant received by local authorities from central government.

Other contract costs relate to the cost of managing WEEE and textiles and the cost in 2021/22 is projected to remain unchanged from this year.

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 Annex 6 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 Annex 1 and does not change from year to year.

Recommendation

The Joint Committee is asked to approve the 2021/22 JWS staff and overheads and joint contract budgets and commend them to their individual authorities for approval.