



Quarter Three 2020-21 Budget and Finance Report **4th March 2021**

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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 2020-21 financial year.

Budget Update

As set out in Annex 1 the projected outturn for the Contract Management Office (CMO) is £2,532,234. This projection represents an overall underspend for the year of £98,603 and a provisional spend total for the year of £389,159 per partner authority. Based on this total, each authority's forecast contribution for quarter four would be £80,773. The actual figure for quarter four being dependent on the year-end reconciliation process, including any carry forward requests.

Budget Variances

Variance figures from Annex 1 which are material are explained in more detail below.

CMO Variances

The Team and Office budgets are projecting a combined £86,789 underspend. This figure mainly comprises of £25,000 of reserve funds which were carried forward from last year, a £12,000 underspend on mobile phones, and £42,000 of COVID-19 related savings, such as meeting and travel related costs, cleaning and energy savings.

The Support budget is projecting a £10,788 underspend which is due to Surrey Heath's finance charge being less than anticipated.

The Business Continuity budget has incurred no spend and is projecting a £5,000 underspend.

Contract Variances

Variable charges paid to Amey have been heavily impacted by the COVID-19 pandemic, and are projected to exceed the £1.78m budget by £842,339. A detailed breakdown of this variance is at Annex 2 and each of the larger overspend figures are explained below.

Due to the ongoing COVID-19 situation, Amey has had to continue employing agency staff to cover for regular staff that are unable to work. These costs are by far the most significant of all projected overspends at £649,877 and account for 77% of the projected variable overspend total.

Estimated agency charges for the period January to March 2021 are £200,000. The total amount that has been paid between April and December 2020 is £449,445 and a breakdown of this figure is at Annex 2. Surrey Heath and Woking's costs rose between November and

December because of an increase in regular staff absences, and because of an increase to the rates of pay for agency staff who worked the bank holiday.

The garden waste budget is projected to be £32,835 overspent at year-end, this is mainly due to customer numbers being higher than budgeted. It is worth noting that the income from additional customers is expected to more than offset these additional charges. When comparing garden waste projection figures, Woking is the outlier, with a projected underspend of £53,014, whilst the other authorities are all projecting an overspend. Woking's budget for this year is based on figures that Amey quoted for 2019-20, not all accounts making up these amounts have been verified. The projection figure on the other hand has been based on verified accounts only and is the reason for the projection coming in under budget. Amey continue working to verify as many accounts as possible in both Woking and Surrey Heath, and both future projections as well as the amounts that have been paid since April 2020 may have to be revised upwards if Amey is able to verify more accounts. Projection figures for Elmbridge and Mole Valley have been based on current customer numbers.

The container delivery budget is projecting an overspend of £44,106. This is as a result of requests for other container types during lockdown being higher than average, but also due to there being an increased volume of bin orders during lockdown. Some of these bin orders are linked to the increase in garden waste customers and so this cost element can be offset by the increase in garden waste income. Additionally, sack delivery budgets for Surrey Heath, Mole Valley and Woking were all based on inaccurate information and therefore overspend projection figures have had to increase in line with true spending levels.

The container provision budget is projecting an overspend of £132,555. The causes of the overspend are largely similar to those mentioned above for container delivery. Namely, requests for other container types during lockdown being higher than average, and an increased volume of bin orders during lockdown. The cost element of bin orders linked to the increase in garden waste customers can be offset by the increase in garden waste income.

Container provision and delivery costs in Surrey Heath and Woking have also seen a peak in quarter 3 as a result of a concerted effort by Amey to close garden waste accounts and remove bins from non-paying customers. Some of these customers subsequently requested that their accounts be reactivated and their bin redelivered which has increased costs further.

The day works budget is projecting a £27,403 underspend due to almost all of the allocated budget being unused.

In mid-December, Amey became aware of a complex IT security incident which has prevented them from issuing November and December's variable invoices. Therefore, when looking at the quarter 3 payments figure shown on Annex 1 it should be recognised that the £1,560,587 that has been paid to Amey does not include November and December's charges estimated at £520,000.

Total garden/bulky waste and container income received from Amey for Surrey Heath and Woking to quarter 3 is £1,021,554. Unfortunately Amey's IT problems has meant that the income for December is also still to be received and so this figure is lower than it otherwise would be. Amey has said that they are working to resolve the situation as quickly as possible and as soon as their systems are operational the outstanding payment will be made.

As can be seen on Annex 1 a total of £14,220 of historical garden waste subscription payments has been collected by Amey and paid to Surrey Heath and Woking. Additional historical payments have been collected by Amey and have been paid over to authorities with their usual monthly payments, however, Amey is yet to provide a breakdown for these amounts so that they can be identified separately.

Recommendation

The Committee is asked to note the report.