

Budget Proposal 2022-23 2 December 2021



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Introduction

For Joint Waste Solutions (JWS), this is the fourth 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. 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 2022-23 builds on this exercise.

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 £61,225 lower in 2022-23 than in 2021-22. Appendix 3 shows the projected costs in 2022-23 and appendix 4 the cost changes by budget heading when compared to 2021-22. These costs are divided into eight budget areas, which are discussed in more detail below.

Salaries

Salary costs are projected to decrease by £61,788 to £1,856,500, which includes an estimated annual pay award of 1% (Appendix 1 includes the impact of any additional increase in cost of living). 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 broadly the same as last year and are shown at the top of appendix 3 for 2022-23. The partner shares of the salaries budget are then applied to other shared fixed costs, as detailed below.



A number of changes have been made in the management team at JWS resulting in a saving for 2022-23. These include replacing the Managing Director post with a new Partnership Director role and replacing the Operations Director post with a new Joint Waste Services Director role (as agreed in April 2021). The recent departure of the Head of Performance and Business Intelligence also provided an opportunity to reassess that role, and this will be initially replaced by a fixed term Senior Manager post. JWS have also approved requests from some staff to reduce working hours.

Team costs

Team costs are projected to total £98,200 in 2022-23. The largest costs within this budget relate to travel expenses.

Support costs

Support costs total £113,400 and include software licenses as well as support from Finance, Legal, ICT, HR and Democratic Services.

Office costs

This budget totals £105,250 and includes all costs associated with the JWS head office in Woking, including rent, business rates, service charges and Wi-Fi.

Health and safety support

The budget for health and safety support in 2021-22 sat with the four joint contract authorities only. This year JWS feel that this cost should be shared with SEP and SCC as well as it is used to support all activities that are undertaken on behalf of the partnership. 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 and is projected to increase to £54,000 in 2022-23. The £30,000 increase to this budget is to support the contract variation discussions.

The communications and engagement budget has reduced by £8,000 to £112,500. This is due to a reduction of £5,000 reducing the budget to £2,500 for the JWS website and a further £3,000 as a result of identifying a cheaper method for distributing service guides within the joint contract area. The distribution cost is now £20,000 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 the quantity and quality of recycling.



The remaining contract specific budget relates to business continuity. This budget has been halved and is projected at £2,500.

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 2022-23 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.

The variable charges have been affected by a range of factors in recent years, from impacts of Covid-19, Amey's ICT disruption and, most recently, suspension of services due to driver shortages. Estimates for 2022-23 have used extended periods of data to ensure these impacts are mitigated for as far as possible. A full breakdown of the variable budgets by service area will be provided to finance officers 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%

Actual core costs in 2021-22 are higher than budgeted for as an estimated 1% indexation uplift was used in setting the budget, when in fact the final figure was 2.64%. This variance carries into 2022-23 calculations.



The most recent figures (August 2021) show a contract inflation of 3.27% for the year to date, this has been increasing steadily throughout the year. Estimating how these figures will change is always difficult. At this stage last year contract indexation was -2.11% but the final figure applied to the contract rates was 2.64%.

Advice from finance colleagues is to use an estimated indexation figure of 4% in this proposal. A final calculation of indexation will take place in March 2022 as per the contract, and revised costs will then be shared with the Joint Contract authorities.

Appendix 1 shows the budgeted core and variable contract costs for both 2021-22 and 2022-23.

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 each additional 1% in indexation would have to both the core and variable costs in each area.

Amey has proposed, though not formally submitted, a change to a bi-annual indexation process to replace the current annual indexation. If such a change were to be approved by the authorities, it would see the unit rates adjusted on 1st April and 1st October each year.

It is suggested that this change would be mutually beneficial to both parties to move to a bi-annual indexation and for this to be based on the average of six months of data, as it removes the likelihood of contract prices being impacted by short-term shocks to the indices used.

Any formal request to make this change would be taken through the appropriate approval processes. Should such a measure be adopted, the April indexation would be based on the previous year's August to January data and the October indexation based on the February – July data.

Other contract costs relate to the cost of managing WEEE and textiles, this budget has been significantly reduced following the procurement of new disposal arrangements during the current 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 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.

Recommendation

The Joint Committee is asked to:

- Agree the 2022-23 JWS staff and overheads and joint contract budgets and commend them to their individual authorities for approval.

Appendix 1: Summary

Budget breakdown 2021-22

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£3,711,580	£2,120,229	£3,409,759	£2,627,493	£11,869,062	£0	£0	£11,869,062
Amey variable contract costs	£687,876	£390,449	£371,561	£476,382	£1,926,268	£0	£0	£1,926,268
Other contract costs	£2,000	£2,000	£2,000	£2,000	£8,000	£0	£0	£8,000
JWS staff and overhead costs	£372,497	£372,497	£372,497	£372,497	£1,489,989	£447,363	£468,723	£2,495,596
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
Total	£4,966,866	£2,481,171	£4,082,293	£3,762,990	£15,293,319	£447,363	£468,723	£16,298,926

Note: SCC and SEP figures are lower than in the budget presented to Committee in December 2020. This is due to the changes that SCC made to SEP/countywide funding in February 2021.

Budget breakdown 2022-23

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£3,956,511	£2,268,356	£3,629,273	£2,794,502	£12,648,642	£0	£0	£12,648,642
Amey variable contract costs	£737,665	£466,927	£411,642	£507,335	£2,123,569	£0	£0	£2,123,569
Other contract costs	£500	£500	£500	£500	£2,000	£0	£0	£2,000
JWS staff and overhead costs	£367,670	£367,670	£367,670	£367,670	£1,470,682	£426,893	£447,276	£2,344,850
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
Total	£5,255,258	£2,699,449	£4,335,560	£3,954,625	£16,244,893	£426,893	£447,276	£17,119,061

Impact of additional 1% uplift on contract costs

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£38,043	£21,811	£34,897	£26,870	£121,622	£0	£0	£121,622
Amey variable contract costs	£7,093	£4,490	£3,958	£4,878	£21,419	£0	£0	£21,419
Total	£45,136	£26,301	£39,855	£31,748	£143,040	£0	£0	£143,040

Impact of 1% cost of living increase on salaries costs

Budget area	Joint Contract authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Salaries	£2,740	£2,740	£2,740	£2,740	£10,961	£3,595	£3,766	£18,322

Appendix 2: Change from 2021-22 to 2022-23

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£244,931	£148,127	£219,514	£167,009	£779,580	£0	£0	£779,580
Amey variable contract costs	£49,789	£76,478	£40,081	£30,953	£197,301	£0	£0	£197,301
Other contract costs	-£1,500	-£1,500	-£1,500	-£1,500	-£6,000	£0	£0	-£6,000
JWS staff and overhead costs	-£4,827	-£4,827	-£4,827	-£4,827	-£19,307	-£20,470	-£21,447	-£61,225
Depot cost to authority	£0	£0	£0	£0	£0	£0	£0	£0
Savings guarantee	£0	£0	£0	£0	£0	£0	£0	£0
Total	£288,393	£218,279	£253,268	£191,635	£951,574	-£20,470	-£21,447	£909,656

Appendix 3: JWS 2022-23 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%	19.62%	20.56%	100.00%
Salaries	14.96%	14.96%	14.96%	14.96%	59.82%	19.62%	20.56%	100.00%
Team costs	14.96%	14.96%	14.96%	14.96%	59.82%	19.62%	20.56%	100.00%
Support costs (SHBC)	14.96%	14.96%	14.96%	14.96%	59.82%	19.62%	20.56%	100.00%
Health & Safety support	14.96%	14.96%	14.96%	14.96%	59.82%	19.62%	20.56%	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	£277,658	£277,658	£277,658	£277,658	£1,110,633	£364,238	£381,629	£1,856,500
Team costs	£14,687	£14,687	£14,687	£14,687	£58,747	£19,266	£20,186	£98,200
Support costs (SHBC)	£16,960	£16,960	£16,960	£16,960	£67,840	£22,249	£23,311	£113,400
Office	£15,741	£15,741	£15,741	£15,741	£62,965	£20,650	£21,636	£105,250
Health & Safety support	£374	£374	£374	£374	£1,496	£490	£514	£2,500
Contract legal support	£13,500	£13,500	£13,500	£13,500	£54,000			£54,000
Comms & engagement	£28,125	£28,125	£28,125	£28,125	£112,500			£112,500
Business Continuity and Risk Management	£625	£625	£625	£625	£2,500			£2,500
Total	£367,670	£367,670	£367,670	£367,670	£1,470,682	£426,893	£447,276	£2,344,850

Appendix 4: JWS 2021-22 to 2022-23 staff and overheads budget change

Costs	Joint Contract Authorities				Total JCA's	SCC	SEP	Total
	EBC	WBC	SHBC	MVDC				
Salaries	-£8,913	-£8,913	-£8,913	-£8,913	-£35,650	-£12,334	-£13,803	-£61,788
Team costs	-£1,574	-£1,574	-£1,574	-£1,574	-£6,297	-£4,753	-£4,681	-£15,731
Support costs (SHBC)	£187	£187	£187	£187	£750	-£2,526	-£2,339	-£4,115
Office	£849	£849	£849	£849	£3,395	-£1,348	-£1,139	£909
Health & Safety support	-£251	-£251	-£251	-£251	-£1,004	£490	£514	£0
Contract legal and technical support	£7,500	£7,500	£7,500	£7,500	£30,000			£30,000
Comms & engagement	-£2,000	-£2,000	-£2,000	-£2,000	-£8,000			-£8,000
Business Continuity and Risk Management	-£625	-£625	-£625	-£625	-£2,500			-£2,500
Total change	-£4,827	-£4,827	-£4,827	-£4,827	-£19,307	-£20,470	-£21,447	-£61,225

Appendix 5: Depot Recharge calculation – 2019-20 onwards

	EBC	WBC	SHBC	MVDC	Total
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
Net cost to authority	-£52,797	£125,370	-£117,329	£44,756	£0

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