



Joint Waste Solutions Budget Proposal 2023-24 01 December 2022

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Introduction

For Joint Waste Solutions (JWS), this is the fifth 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 2023-24 builds on this exercise.

Budget Areas

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

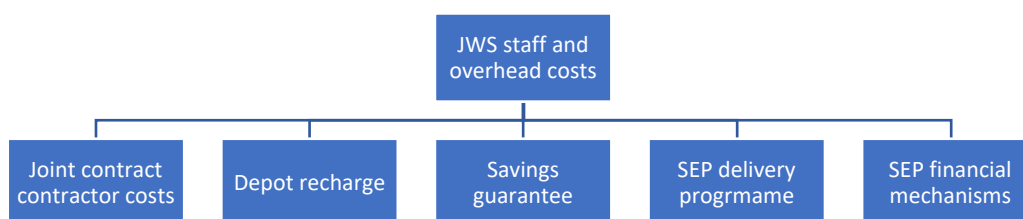


Figure 1: JWS budget areas

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 £205,548 higher in 2023-24 than in 2022-23. Annex 3 shows the projected costs in 2023-24 and Annex 4 the cost changes by budget heading when compared to 2022-23. These costs are divided into eight budget areas, which are discussed in more detail below.

Salaries

Salary costs are projected to increase by £193,325 to £2,049,825. The increase is mostly as a result of an 8% pay award by SHBC that was approved at a Council meeting on 26 October. National insurance (NI) and superannuation projections have also been adjusted upwards on advice from SHBC Finance (in 2022-23 the budgeted rates were 12.45% for NI and 16.8% for superannuation, and in 2023-24 the budgeted rates are 15.05% and 17.2%).

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 the same as last year and are shown at the top of Annex 3 for 2023-24. The partner shares of the salaries budget are then applied to other shared fixed costs, as detailed below.

Team costs

Team costs are projected to total £98,450 in 2023-24, which is a very similar level to 2022-23. The largest costs within this budget relate to travel expenses.

Support costs

Support costs total £107,578 and include software licenses as well as support from Finance, Legal, ICT, HR and Democratic Services. Whilst support service costs have mostly increased in line with the 8% pay award, this has been offset by a reduction in the Finance support budget due to the Partnership and Commercial Accountant who supports JWS reducing their hours of work.

Office costs

This budget totals £109,725 and includes all costs associated with the JWS head office in Woking, including rent, business rates, service charges and Wi-Fi.

Work is currently underway to investigate alternatives to the JWS office at Dukes Court, with the intention of finding a suitable lower cost option. No assumption around this has been included in the budget as a viable alternative is yet to be sourced, and the scale of the potential cost saving and timescales are not yet certain.

Health and safety support

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.

The proposed communications and engagement budget has increased by £13,000. This is because the estimated cost of producing and distributing service guides has increased due to significant increases in paper, print and postage costs.

The remaining contract specific budget relates to business continuity. This remains at £2,500.

Amey contract costs

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 2023-24 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 2023-24 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%

When agreeing the budget for 2022-23 an uplift rate of 4% was used, however the final figure was 6.71%. This has resulted in core and variable rates being higher than budgeted for – a variance which will carry forward into 2023-24 figures.

The most recent figures available at the time of writing show a contract inflation of 5.37% for the year to date, this has been increasing steadily throughout the year. Estimating how these figures will change is always difficult. The recent figures had started to show a downward trend in fuel prices, this has now plateaued at the last update, while both CPI and Labour elements continue to rise.

As such, and following discussion with finance leads from the authorities, a figure of 10% has been built into this proposal.

Annex 1 shows the budgeted core and variable contract costs for both 2022-23 and 2023-24.

A final calculation of indexation will take place in March 2022 using the published January figures as per the contract, and revised estimated costs will then be shared with the Joint Contract authorities. 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 Annex 1 for the impact that an additional 1% in indexation would have to both the core and variable costs in each area. A table showing equivalent costs for 8% and 12% have also been provided for information.

Driver market supplement

In December 2021 the authorities agreed to support increased HGV driver wages through a market supplement payment. This was agreed separately to the 2022-23 budget. The terms around this were further discussed in March 2022. The rate payable by the authorities

ensures Amey's driver wages are in line with competitors and have shown to have increased recruitment and service resilience since being introduced. The anticipated sums payable by each authority are included as part of the variable charges. As this forms a significant part of the variance between budgeted sums for 2022-23 and 2023-24, it is also included separately in Annex 2, for clarity.

Indexation proposal

Amey has submitted a proposal to vary the current annual indexation. If such a change were to be approved by the authorities, it would see the unit rates adjusted on the 1st April and 1st October each year.

It is suggested that this change would be mutually beneficial to both parties, as it removes the risk of contract prices not reflecting the significant variation in inflation currently being experienced across all sectors.

Following consideration of the proposal by the Contract Partnering Board and Joint Waste Collection Services Committee in June 2022, the matter is under consideration by each authority to determine whether this change should be taken forward. The current proposal is not to use an average value but to retain the same methodology and apply it twice a year, instead of once.

As a change to the mechanism has not been approved yet, we have continued to base the budget processes on the existing uplift mechanism.

Other contract costs

Other contract costs relate to the cost of managing WEEE and textiles, this budget was reduced following the procurement of new disposal arrangements last year, and has been lowered further 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 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 Annex 1 and does not change from year to year.

Recommendation

The Joint Committee is asked to:

- Agree the 2023-24 JWS staff and overheads and joint contract budgets and commend them to their individual authorities for approval.

Annex 1: Summary

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

Budget breakdown 2023-24

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£4,480,932	£2,568,867	£4,117,425	£3,165,015	£14,332,239	£0	£0	£14,332,239
Amey variable contract costs	£944,648	£636,556	£523,167	£626,637	£2,731,007	£0	£0	£2,731,007
Other contract costs	£125	£125	£125	£125	£500	£0	£0	£500
JWS staff and overhead costs	£399,750	£399,750	£399,750	£399,750	£1,599,000	£453,481	£497,917	£2,550,398
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	£6,018,366	£3,201,293	£4,966,942	£4,476,145	£18,662,746	£453,481	£497,917	£19,614,144

Impact of additional 1% uplift on contract costs 2023-24

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£40,736	£28,773	£37,431	£23,353	£130,293	£0	£0	£130,293
Amey variable contract costs	£7,464	£4,963	£4,007	£4,761	£21,195	£0	£0	£21,195
Total	£48,200	£33,736	£41,438	£28,114	£151,488	£0	£0	£151,488

For information: Contract costs with 8% uplift

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£4,399,460	£2,522,161	£4,042,563	£3,107,469	£14,071,653	£0	£0	£14,071,653
Amey variable contract costs	£929,719	£626,629	£515,152	£617,116	£2,688,616	£0	£0	£2,688,616
Total	£5,329,179	£3,148,790	£4,557,716	£3,724,585	£16,760,269	£0	£0	£16,760,269

For information: Contract costs with 12% uplift

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£4,562,403	£2,615,574	£4,192,288	£3,222,560	£14,592,825	£0	£0	£14,592,825
Amey variable contract costs	£959,577	£646,482	£531,181	£636,159	£2,773,399	£0	£0	£2,773,399
Total	£5,521,980	£3,262,056	£4,723,469	£3,858,719	£17,366,224	£0	£0	£17,366,224

Annex 2: Change from 2022-23 to 2023-24

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Amey core contract costs	£524,421	£300,511	£488,153	£370,513	£1,683,597	£0	£0	£1,683,597
Amey variable contract costs	£206,983	£169,628	£111,525	£119,302	£607,438	£0	£0	£607,438
Other contract costs	-£375	-£375	-£375	-£375	-£1,500	£0	£0	-£1,500
JWS staff and overhead costs	£32,080	£32,080	£32,080	£32,080	£128,319	£26,588	£50,641	£205,548
Depot cost to authority	£0	£0	£0	£0	£0	£0	£0	£0
Savings guarantee	£0	£0	£0	£0	£0	£0	£0	£0
Total	£763,108	£501,844	£631,382	£521,520	£2,417,854	£26,588	£50,641	£2,495,083

Budget area	Joint Contract Authorities					SCC	SEP	Total
	EBC	WBC	SHBC	MVDC	Total			
Driver supplement element only	£123,552	£90,605	£82,368	£102,960	£399,485	£0	£0	£399,485

Annex 3: JWS 2023-24 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%	19.15%	21.03%	100.00%
Salaries	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Team costs	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Support costs (SHBC)	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	100.00%
Health & Safety support	14.96%	14.96%	14.96%	14.96%	59.82%	19.15%	21.03%	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	£306,572	£306,572	£306,572	£306,572	£1,226,288	£392,537	£431,000	£2,049,825
Team costs	£14,724	£14,724	£14,724	£14,724	£58,897	£18,853	£20,700	£98,450
Support costs (SHBC)	£16,089	£16,089	£16,089	£16,089	£64,358	£20,601	£22,620	£107,578
Office	£16,410	£16,410	£16,410	£16,410	£65,642	£21,012	£23,071	£109,725
Health & Safety support	£374	£374	£374	£374	£1,496	£479	£526	£2,500
Contract legal support	£13,580	£13,580	£13,580	£13,580	£54,320			£54,320
Comms & engagement	£31,375	£31,375	£31,375	£31,375	£125,500			£125,500
Business Continuity and Risk Management	£625	£625	£625	£625	£2,500			£2,500
Total	£399,750	£399,750	£399,750	£399,750	£1,599,000	£453,481	£497,917	£2,550,398

Annex 4: JWS 2022-23 to 2023-24 staff and overheads budget change

Costs	Joint Contract Authorities				Total JCAs	SCC	SEP	Total
	EBC	WBC	SHBC	MVDC				
Salaries	£28,914	£28,914	£28,914	£28,914	£115,655	£28,299	£49,371	£193,325
Team costs	£37	£37	£37	£37	£150	£-414	£514	£250
Support costs (SHBC)	£-871	£-871	£-871	£-871	£-3,483	£-1,648	£-691	£-5,822
Office	£669	£669	£669	£669	£2,677	£362	£1,435	£4,475
Health & Safety support	£0	£0	£0	£0	£0	£-12	£12	£0
Contract legal and technical support	£80	£80	£80	£80	£320			£320
Comms & engagement	£3,250	£3,250	£3,250	£3,250	£13,000			£13,000
Business Continuity and Risk Management	£0	£0	£0	£0	£0			£0
Total change	£32,080	£32,080	£32,080	£32,080	£128,319	£26,588	£50,641	£205,548

Annex 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%