

Approval of the Contract Management Office (CMO) Budget

Summary

The CMO is the overall body that will be responsible for the implementation, management and monitoring of the new Joint Waste Contract. The administering authority is initially Surrey Heath Borough Council and they will be providing a number of functions to support the CMO in its operations.

Portfolio and Date Consulted

N/A

Wards Affected

N/A

Recommendation

The Committee is advised to resolve

- (i) That the CMO budget for 2016/17 and 2017/18 be approved;
- (ii) That the CMO budget for future years be noted

1. Resource Implications

- 1.1 The total costs of the CMO are anticipated to be £326k once the contract has been established. However over the implementation phase these costs will be significantly higher. Details are shown in the attached annexe.
- 1.2 It has been assumed that costs will be shared equally between the partner authorities. In principle this will eventually include Surrey County Council but the exact details have not been worked out as yet.
- 1.3 As this is a new arrangement the costs given are indicative. Running costs of the CMO function should become clearer as the contract progresses
- 1.4 Although the CMO costs are significant they do need to be viewed in the context of the overall savings of £2.8m the contract is expected to generate. In addition it is expected that over time there will be savings in staffing in member authorities as functions are transferred which should cover some if not all of these costs
- 1.5 The figures as presented do not include any staff costs for contract management teams transferred to the CMO. It has been assumed that these will be transferred on a recharged cost basis. I.e. The transferring authority will pick up the full costs of its staff transferred to the CMO.

2. Key Issues

- 2.1 The Joint Waste contract can only work if the contract management and monitoring is centralised hence the reason for a CMO function
- 2.2 Although Surrey Heath is the current administering authority it is the intention that eventually the CMO responsibilities will be transferred to a separate company joint owned by all member Councils. This would then be free to buy management services from any entity it chose.

3. Options

- 3.1 The committee can agree, reject or amend the proposal as they wish

4. Proposals

It is proposed that the Committee resolves:

- (i) That the CMO budget for 2016/17 and 2017/18 be approved;
- (ii) That the CMO budget for future years be noted

5. Supporting Information

- 5.1 Please see the attached Annexes

Annexes	Implementation budget Explanatory notes
Background Papers	None
Author/Contact Details	Kelvin Menon – finance officer to the Joint waste Project

Consultations, Implications And Issues Addressed

Resources	Required	Consulted
Revenue	✓	
Capital		
Human Resources		
Asset Management		
IT		

Other Issues	Required	Consulted
Corporate Objectives & Key Priorities	✓	
Policy Framework		
Legal		
Governance		
Sustainability		
Risk Management		
Equalities Impact Assessment		

Other Issues	Required	Consulted
Community Safety		
Human Rights		
Consultation		
P R & Marketing		

Review Date:

Version:

Contract Management Office Budget

	2016/17	2017/18	2018/19	2019/20	2020/21
	Nov 2016 to March 2017	April 2017 to March 2018	April 2018 to March 2019	April 2019 to Mar 2020	Mature year 2020 to 2021
Activities during this period	Contract Award to end £ year.	Elmbridge, Woking and Surrey Heath mobilise	Mobilisation in MV Waste Aug 2018	Mobilisation MV streets April 2019	No mobilisations unless new joiners
EXPENDITURE	5	12	12	12	12
Joint Waste Contract Support Costs					
SHBC Premises and Committee Support Costs	6,667	16,000	16,000	16,000	16,000
Implementation costs					
HR and Pensions advice	17,500	25,000			
Legal and Technical consultants	20,000	30,000			
ICT set up costs	15,000	15,000			
Recruitment costs	8,000				
Mobilisation Communications		50,000	50,000		
Implementation project management	68,958	71,500	71,500	71,500	
Company setup up and legal costs		10,000			
	129,458	201,500	121,500	71,500	-
CMO direct costs and recharges					
Staffing costs	24,375	97,500	97,500	97,500	97,500
Administering authority recharges	79,100	190,000	190,000	190,000	190,000
Company costs		3,000	3,000	3,000	3,000
Contingency	10,000	20,000	20,000	20,000	20,000
	113,475	310,500	310,500	310,500	310,500
Total	249,600	528,000	448,000	398,000	326,500
INCOME					
Council partnership share (to be allocated once final bidder/costs known)					
Elmbridge	62,400	115,750	95,750	79,600	65,300
Mole Valley	62,400	115,750	95,750	79,600	65,300
Surrey Heath	62,400	115,750	95,750	79,600	65,300
Woking	62,400	115,750	95,750	79,600	65,300
Surrey CC		65,000	65,000	65,000	65,300
Surrey Waste Partnership					
Total	249,600	528,000	448,000	383,400	326,500

Notes for the Joint Waste Committee on the Implementation Budget

The attached schedule provides a high level estimate of the costs of running the contract management office.

It should be noted that joining a joint arrangement such as this does not simply transfer administration costs from member councils to the centre but rather additional costs are incurred.

Firstly such an arrangement places additional administrative costs in relation to areas such as contract management and finance. This is because the contract has to be managed both centrally and to an extent locally and there are a whole raft of recharges and allocations which need to be calculated which would not be the case under a single council set up.

Secondly although there will be some administrative savings in each council these are unlikely to be sufficient to actually reduce headcount unless combined with other cost saving initiatives

Costs have been split equally with the proviso that county's contribution being set at their share in steady state – this is because the implementation costs should fall on the collection authorities. This is still subject to agreement with SCC.

Explanation of costs

SHBC premises and Support costs

These consist of Committee Support, Rooms and SHBC hosting costs i.e. desk space etc. for CMO staff

Implementation Costs

This consists of an implementation project manager to ensure that implementation goes smoothly. It also includes costs for professional advisors in HR, Pensions, Legal and Waste to ensure that advice can be sought as required. In addition a communications budget has been allowed for to ensure that residents are informed about any changes to their services.

CMO Direct costs and recharges

This includes not only the costs of the authorising officer and admin support but also recharged costs from the administering authority for payroll, finance, legal, ICT and management.

There are also additional costs relating to the statutory compliance required for companies.