

Arun District Council

REPORT TO:	Environment Committee 17 November 2022
SUBJECT:	Virement for Additional Costs Relating to Combined Cleansing Services Contract
LEAD OFFICER(S):	Joe Russell-Wells, Group Head of Environment & Climate Change / Oliver Handson, Environmental Services & Strategy Manager
LEAD MEMBER:	Cllr David Edwards
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: The recommendation supports: Fulfilling Arun's Economic potential: Increase opportunities for more high-quality, well-paid employment, encouraging more people to live, work, study and visit Arun. 'Your council services': serving our communities well by delivering the best services we can afford Corporate performance indicators: CP1 The level of public satisfied or very satisfied with the overall quality of the council's services CP4 The level of customer satisfaction with the cleanliness of the District	
DIRECTORATE POLICY CONTEXT: Delivery of the Council's Combined Cleansing Services Contract. This includes SDP12 - Number of missed refuse and recycling collections per 100,000 within contractual target	
FINANCIAL SUMMARY: This report outlines the requirement for an in-year budget virement of £269k from the inflationary pressure reserve to cover negotiated inflationary costs for the Combined Cleansing Services Contract.	

1. PURPOSE OF REPORT

1.1 The purpose of this report is to make financial arrangements to ensure the in-year budget is available to cover additional costs required to support delivery of the Combined Services Cleansing Contract for 2022/23

2. RECOMMENDATIONS

2.1 It is recommended that the Environment Committee note a virement of £269k from the inflationary pressure reserve, to cover in year costs associated with rising inflationary costs and the recent nationally negotiated pay deal for Biffa staff on the Combined Cleansing Services Contract.

3 EXECUTIVE SUMMARY

3.1 Due to rising national inflation, supply chain and wage pressures within the waste industry and collections sector, an agreed pay settlement between the Council's contractor Biffa and the GMB Union in August 2022 averted the threat of summer holiday strike action for waste services in Arun. The result is that a virement from inflation contingency budget is required for this financial year to meet the increased costs of the Combined Cleansing Services Contract.

4. DETAIL

4.1 On the 19th May 2022, Members of the Environment Committee agreed to a series of recommendations relating to a proposed three-year extension offer for the Combined Cleansing Services Contract (CCSC) with Biffa. The extension would run from 1st February 2023 until 31st January 2026.

4.2 Contained within the May report to the Environment Committee was confirmation that the costed service options included a commitment to the Real Living Wage (RLW) for operatives and aligning all wages, including Large Goods Vehicle (LGV) drivers, with market rates for the region which are negotiated on a national level. This was recommended on the basis that almost every one of the 120 plus staff working on the CCSC are residents of Arun, as well as being necessary to sustain the contract and its future delivery through staff retention. A new hire fleet of vehicles was also required to replace the aged current fleet, which is beyond life expectancy.

4.3 The report outlined that costs were based on 2021/22 rates and therefore indexation would be calculated back over the previous 24 months from February 2021 – February 2023. This is required to ensure that the starting position is correct on the extension commencement date.

4.4 The financial implications of this decision were subsequently recommended to Policy & Finance Committee on 30th June 2022 and then to Full Council. It was highlighted that the costs as set out in the report to Policy & Finance reflected the current position, however Members were reminded of the inflationary pressures that existed in the economy and the impact this was having on the cost of living. It was possible that as a result of those pressures, the council would need to revisit these costs.

4.5 Due to growing sector pressure regarding operative pay and conditions, many local authorities across the south and south-east region have suffered strike action and major disruption for waste collections services. This pressure and the threat of strike action remains live in a number of local authorities.

4.6 In July 2022, Biffa union members were balloted on an initial pay offer tabled at a national level which was rejected. As a result, negotiations on a local level were arranged. A pay deal which mirrored that of other deals within the region was agreed and accepted, thus averting the threat of strike action and significant disruption to residents. Vehicle hire build costs have also increased in this period. As a result, there is a financial implication to the CCSC, both in the current financial year and for the proposed three-year extension period.

4.7 For this financial year the Interim Group Head of Finance & S151 Officer has approved:

- the virement of £163,048 from the inflationary pressure reserve. This represents a 50/50 split between the Council and Biffa on costs incurred this year between the period April 2022 – Jan 2023 (current contract)
- From February 2023 at the start of the new 3-year extension, a sum of £106k, which represents two months of additional costs (Feb 2023 & March 2023) and is subject to indexation.

4.8 Future financial year budget implications for the CCSC will be presented through the 2023/24, 2024/25 & 2025/26 budget setting processes and respective committee reports. Members are alerted to an increase in budget to cover the rise in contractual costs. These are a result of the pay award and maintaining pay differentials within the workforce, along with the published Consumer Price Index (CPI) and Diesel Engine Road Vehicle (DERV) rates, which form the basis for contract indexation and have increased considerably in the last 9-12 months.

4.9 Base contractual costs for the extension will therefore increase in the region of a further £585k. Whilst final calculations for CPI & DERV are not known, estimated figures based on rates published to this point are outlined below.

TABLE 1. Estimated costs (£ million)

21/22 base CCSC core cost	Base extension costs increase	Total base	24 months backdated CPI/DERV indexation	Feb 23 base	23/24 estimated index	23/24 estimated full year actual
£5.36	£1.24	£6.60	£0.64	£7.24	£0.35	£7.59

4.10 It is worth noting that under Government Resource & Waste Strategy proposals for Extended Producer Responsibility (EPR) that part/all of service costs associated with the collection and processing of packaging may be subsidised in future. This could ease any long-term financial implication of both the extension and future contract. However, clarity around the mechanism and how EPR would be implemented has yet to be provided by Government.

5. CONSULTATION

5.1 Ricardo consulting.

The Council has previously sought advice from specialist waste industry consultants Ricardo to undertake detailed cost analysis of the contract. Further advice in relation to the implications of the pay award has been sought from Ricardo. They have confirmed that proposals are not out of line with other settlements which have been recently

agreed in the industry. While the proposed increase is in excess of RPI, this could be considered a 'one-off' adjustment, caused by the real living wage, driver shortages, cost of living pressures and competition from alternative job options, for example Amazon.

5.2 Procurement advice from the Commercial Lead -External Partners, Strategic Procurement Team, Hampshire County Council.

The contract allows for a negotiated inflationary increase in any extension periods. That would make sense for a long-term contract like this where no-one at the time would know what would happen that far in the future. Given the current economic situation this seems like a very reasonable (pay) award by Biffa to its staff. From a procurement/contracts point of view this is reasonable and there are no further procurement considerations.

6. OPTIONS / ALTERNATIVES CONSIDERED

6.1 None

7. COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/SECTION 151 OFFICER

7.1 The proposed virement is within delegation levels and aligns with the reasons the inflationary pressure reserve was set up at 31 March 2022. I am happy to support the proposed virement to fund the service provision for 2022/23. Due to the significant financial sums involved it is recommended Members be advised of the actions undertaken.

8. RISK ASSESSMENT CONSIDERATIONS

8.1 The Council must have a viable and sustainable CCSC in order to provide statutory waste services to its residents. This report and the recommendations within support this and reduce the risk of both current and future disruption to services.

9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1 The risk associated with any in-contract increase in a contract sum lies with the potential to be seen to be acting in breach of procurement regulations. However, advice from both the Council's external advisors at Hampshire County Council and the Group Head of Law and Governance confirms that the proposed inflationary payment falls within the terms of the contract and would be considered reasonable in the circumstances set out within this report.

10. HUMAN RESOURCES IMPACT

10.1 N/A

11. HEALTH & SAFETY IMPACT

11.1 The Council has various statutory duties as a waste collection authority to provide waste collections and manage waste/litter. This report supports delivery of the Council discharging these functions.

12. PROPERTY & ESTATES IMPACT

12.1 N/A

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1 N/A

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1 The Council has various statutory duties as a waste collection authority to provide waste collections and manage waste/litter. This report supports delivery of the Council discharging these functions.

15. CRIME AND DISORDER REDUCTION IMPACT

15.1 N/A

16. HUMAN RIGHTS IMPACT

16.1 N/A

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1 N/A

CONTACT OFFICER(S):

Name: Joe Russell-Wells

Job Title: Group Head of Environment & Climate Change

Contact Number: 01903 737914

Name: Oliver Handson

Job Title: Environmental Services & Strategy Manager

Contact Number: 01903 737955

BACKGROUND DOCUMENTS:

1. Environment Committee 19th May 2022 published report - Combined Cleansing Services Contract extension minutes [Arun District Council](#)
2. Policy & Finance Committee 30th June 2022 published report – Combined Cleansing Services Contract extension – financial implications & published minutes [Arun District Council](#)