

**TITLE: EAST CAMBS STREET SCENE MANAGEMENT FEE**

Committee: Full Council

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## **1.0 ISSUE**

1.1. To respond to the request from the East Cambs Street Scene (ECSS) Board, requesting an increase in Management Fee for 2022/23 to meet the additional costs the Company has encountered in year.

## **2.0 RECOMMENDATION(S)**

2.1. Council is requested to:

- approve an additional one-off management fee payment to ECSS in 2022/23 of up to £500,000.
- to authorise the Director, Finance to make the payment, of up to £500,000, based on an open booking accounting approach, at the end of the financial year.

## **3.0 BACKGROUND/OPTIONS**

3.1. ECSS's budget has always been prepared with a minimal requirement for a profit margin, in order that the costs of the service to the Council are as low as possible.

3.2. These arrangements have operated effectively in previous years, but with the unexpected and unplanned increases in inflation in 2022 and the consequential "cost of living crisis", the Company has been unable to hold cost within its approved budget during the year.

3.3. The major areas of overspend have been:

3.4. Staffing

The 2022/23 budget was prepared including a cost of living increase of 2%. The NJC award was £1,925 for all FTE employees, which with the average pay for an ECSS operative being £22,000 per annum, equated to an increase of 8%. There was then a further local agreement, to add a further 6% to pay from the 1<sup>st</sup> April 2022 increasing to 10% from the 1<sup>st</sup> November 2022. The net impact of these

changes being an additional £152,000 of costs. These actions were integral to the implementation of the Waste Improvement Plan designed to address changes in the working practices and terms and conditions of ECSS staff and recruitment and retention challenges.

At the same time, additional overtime costs totalling £78,000 and agency staff costs of £94,000 were incurred plugging gaps caused by sickness and unfilled posts, as well as issues on the implementation of the round configuration.

### 3.5. Vehicle Maintenance and Hire Costs

Members will be aware that the Council has put off buying new fleet for a number of years, awaiting the publication of the Government's new Waste Strategy and potentially the offer of funding to implement this. As a consequence, some of the fleet is now beyond what is considered its useful life and instances of breakdown have increased. This has resulted in additional maintenance costs and the need to hire additional vehicles when ECSS's own fleet is off the road. Some additional funding was included in the budget in anticipation that costs in this area would be higher, but in the event actual costs have proved to be higher than forecast resulting in a further overspend of £113,000.

### 3.6. Fuel Cost

This is purely the result of the cost of vehicle fuel being significantly higher than built into the budget, and is likely to contribute a further £100,000 to the overspend.

3.7. ECSS Board consequently, on the 31<sup>st</sup> January 2023, requested that the Council increase the management fee payable to the Company in 2022/23 by up to £500,000, the final value to be determined via an open book accounting exercise at the end of the financial year. These additional costs incurred by ECSS having been as a result of the implementation of the Improvement Plan, external economic and labour market factors and delays in legislation.

## **4.0 ARGUMENTS/CONCLUSION(S)**

4.1. Council is therefore asked to agree to increase the Management Fee payable to ECSS by up to £500,000 for the 2022/23 financial year. This being a one-off payment, the exact value of which will be determined via an open book accounting exercise at the end of the financial year.

4.2. The budget for 2023/24 that you are also considering at today's Council meeting, has increased the management fee payable to ECSS by 21%, this to provide coverage of these additional costs moving forward.

## **5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

5.1. The financial implications of this report are detailed above.

5.2. An Equality Impact Assessment (EIA) is not required.

5.3. A Carbon Impact Assessment (CIA) is not required.

## **6.0 APPENDICES**

None