

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 2023/24 to meet the additional costs the Company has encountered in year.

2.0 RECOMMENDATION

2.1. Council is requested to:

- approve an additional management fee payment to ECSS in 2023/24 of up to £200,000.
- to authorise the Director, Finance to make the payment, of up to £200,000, based on an open book accounting approach, at the end of the financial year.

3.0 BACKGROUND / OPTIONS

3.1. ECSS's budget is 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 operated effectively in previous years up until 2022/23, but with the unexpected and unplanned increases in inflation in 2022 and the consequential "cost of living crisis", the Company was unable to hold costs within its approved budget during that year and also in the current budget year 2023/24.

3.3. The major areas of overspend in 2023/24 have been:

3.4. Staffing

The 2023/24 staff budget was prepared including a cost-of-living increase of 4%. The NJC award was agreed at £1,925 for all full-time employees, which with the average pay for an ECSS operative being £23,340 per annum, equated to an increase of 8%. The net impact of this change being an additional cost of £70,000.

An additional £59,000 has also been incurred on a combination of agency staff and overtime to cover a shortfall in directly employed labour. With then, a further £45,000 incurred on an agency worker in order to comply with the requirements of ECSS's Operators Licence.

Changes to the administration and management structure, including one additional person, added a further £77,000.

3.5. External contractors

£17,000 was spent on an external contractor to clear rubbish from laybys and verges on the A14 and A11 trunk roads.

External consultants were also brought in to review the working practices and processes within the business at a cost of £59,000.

3.6. Underspends

The above costs were offset in some part by underspends of £160,000 with the main differences being a saving on fuel of £65,000, vehicle maintenance & hire £20,000, plastic sacks £25,000 and additional income £33,000.

3.7. Net impact

This has resulted in a projected net overspend of £164,607. Whilst ECSS are comfortable with their assumptions for the final quarter, there are costs that are outside of the control of the Company that could increase, particularly the cost of fuel and the value of income received for recycled materials.

3.8. ECSS Board consequently, on the 18th January 2024, instructed the ECSS Finance Manager to formally write to the ECDC Finance Director requesting that the Council increase the management fee payable to the Company in 2023/24 by up to £200,000, the final value to be determined via an open book accounting exercise at the end of the financial year. This formal request was received on the 29th January 2024.

4.0 ARGUMENTS / CONCLUSION(S)

4.1. Council is asked to agree to increase the Management Fee payable to ECSS by up to £200,000 for the 2023/24 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 2024/25 that you are also considering at today's Council meeting, has increased the management fee payable to ECSS by 16%, this to provide coverage of the ongoing impact of some of the overspends detailed above, but this increase also includes the use of HVO fuel in the new vehicles purchased in 2023/24.

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.