

Appendix 5 – Financing Modelling & Assumptions

Income & Expenditure Statement Proposed Garden Waste Subscription, MTFS basis

	2024/25	2025/26	2026/27	2027/28
Income:				
1st chargeable bin ^[1]	(1,380,000)	(1,840,000)	(2,300,000)	(2,300,000)
2nd chargeable bin ^[2]	(86,400)	(86,400)	(86,400)	(86,400)
Chargeable income	(1,466,400)	(1,926,400)	(2,386,400)	(2,386,400)
Remove existing MTFS second bin assumption ^[3]	205,000	205,000	205,000	205,000
Total Income	(1,261,400)	(1,721,400)	(2,181,400)	(2,181,400)
Expenditure:				
Staff cost savings ^[4]	(318,580)	(238,935)	(159,290)	(159,290)
Fuel cost savings ^[5]	(81,089)	(60,816)	(40,544)	(40,544)
Call centre staff ^[6]	35,000	35,000	35,000	35,000
Annual billing ^[7]	20,000	30,000	40,000	40,000
Transaction fees, card payment ^[8]	27,600	36,800	46,000	46,000
Administration - staff ^[9]	31,519	31,519	31,519	31,519
Annual renewals ^[10]	28,320	37,760	47,200	47,200
Community Initiatives ^[11]	200,000	200,000	200,000	200,000
Total Expenditure	(57,230)	71,328	199,885	199,885
Net (Surplus)/deficit	(1,318,630)	(1,650,072)	(1,981,515)	(1,981,515)
Implementation costs ^[12]	849,601	0	0	0
Net adjustment to prior year MTFS - (benefit)/adverse	(469,029)	(1,650,072)	(1,981,515)	(1,981,515)
Total all years - (benefit)/adverse	(6,082,133)			

The Income and Expenditure statement has been prepared as part of the 2023/24 Medium Term Financial Strategy (MTFS) and therefore considers the impact to the previous year's MTFS should the Garden Waste subscription (GWS) service be implemented. The below notes detail the basis for each of the figures in the Income and Expenditure statement.

NB. The scheme is anticipated to be introduced with effect from year 2 of the 2023/24 MTFS. Any references below to "year" refers to the GWS service, not the MTFS.

Notes:

[1] Income for 1st Chargeable Bin.

It is assumed only a portion of Huntingdonshire's household will opt in GWS. Using analysis from other districts that have already implemented GWS, the take up is estimated to be:

Year 1	30%
Year 2	40%
Year 3	50%
Year 4	50%

The basis of charging is that each household will be charged £57.50 for its first bin. Applying this, and the above percentages to the number of households in Huntingdonshire (80,000) where a green bin is currently collected gives the following income profile:

	Year 1	Year 2	Year 3	Year 4
Subscription uptake	30%	40%	50%	50%
Number of bins subscribed	24,000	32,000	40,000	40,000
Income generated	£1,380,000	£1,840,000	£2,300,000	£2,300,000

[2] Income for additional chargeable bins.

It is anticipated there will still be a demand for additional garden bins but that some households will reconsider their need for one. The financial business case assumes demand for additional bins will decrease to 3.6% of households, and that the charge for second bins will drop to £30/bin. This gives a consistent income of £86,400 per annum. As with initial green bins, there is a likelihood additional bin take up will increase over the period, but we have opted to take a prudent stance on this revenue and to maintain it at a consistent level.

[3] Remove MTFS existing second bin income assumption.

As the financial business case is modelling the impact against the previous MTFS, any assumptions relating to previous income modelling needs to be removed to eliminate revenue double counting. This row in the Income and Expenditure statement eliminates the previous MTFS income assumption.

[4] Staff cost savings

If fewer garden waste bins are being collected, fewer collection runs are required. Staff savings are based upon the following reduction in weekly collection runs

Year 1	4 runs
Year 2	3 runs
Year 3	2 runs
Year 4	2 runs

Each run removed will generate staff savings as follows:

Driver x1	£28,250
Loader x2	£51,395
Total	£79,645

Combining these figures gives the following annual savings:

	Year 1	Year 2	Year 3	Year 4
Bins collections removed	4	3	2	2
Staff savings	£318,580	£238,935	£159,290	£159,290

It should be noted that whilst savings have been calculated using permanent staff costs, the savings are planned to be achieved through agency staff reductions and natural wastage.

[5] Fuel cost savings

The basis for fuel cost savings is the same as staff cost savings; fewer bin collections require fewer bin runs. Diesel costs in the previous MTFS for green bin collection totalled £141,905 for 7 collection rounds, an average cost of £20,272 per round. Using these figures, indicative savings are indicated:

	Year 1	Year 2	Year 3	Year 4
Bins collections removed	4	3	2	2
Staff savings	£81,088	£60,816	£40,544	£40,544

These indicative savings assume a constant fuel value and do not consider additional savings attributable to increases in the cost of fuel per litre.

[6] Cost of additional Call Centre staff

Introducing a new chargeable service will attract additional activity through the Call Centre. Through engagement with call centre management, we have built our costings on the assumption 10% of effected households will call the Customer Services team. A fully inclusive cost of £35,000 per annum has been built into the financial assumptions to cover this.

[7] Annual billing costs

Each year there will need to be an annual billing process, updating collection round systems, generating invoices and maintaining the direct debit information. The Waste service has estimated these costs as follows:

Year 1	£20,000
Year 2	£30,000
Year 3	£40,000
Year 4	£40,000

[8] Transaction card payment fees

Any income collected via payment cards will attract a payment processing fee from the card merchant. Whilst not all payments will be made via a payment card, we have no way of knowing what proportion will be via direct debit and what will be via a payment card. We have therefore assumed a worst case scenario and planned for 2% transactions card payment fee for all first bin payments (transactions fees for second bins, an existing charge will already be included in the previous MTFS):

	Year 1	Year 2	Year 3	Year 4
Income collected	£1,380,000	£1,840,000	£2,300,000	£2,300,000
Transaction fee (2%)	£27,600	£36,800	£46,000	£46,000

[9] Administration staff costs:

The introduction of a subscription service will generate additional administrative work. There is insufficient capacity in the existing team to cover this, therefore provision has been made in the MTFS for an additional Grade D administrator, the full cost of which (including employer oncosts) is £31,519 per annum.

[10] Annual Renewals

This covers the costs of producing and distributing the labels for bins, to identify which bins are subscribed to the service and should be collected. Costs have been budgeted on the basis of £0.50 per label and £0.68 per bin postage. Costs are only calculated for first bin subscriptions as second bin costs are already included in the previous MTFS:

	Year 1	Year 2	Year 3	Year 4
Volume	24,000	32,000	40,000	40,000
Sticker production	£12,000	£16,000	£20,000	£20,000
Postage	£16,320	£21,760	£27,200	£27,200

[11] Community initiatives

An allowance has been made in each year of the MTFS for expenditure for community initiatives including but not limited to Saturday freighters, subsidised composting kits, local council allocation of garden bins for discretionary distribution. This has been set at £200,000 per annum

[12] Implementation costs

There are some "one-off" costs that will be incurred as part of the subscription introduction and transition e.g., changes that need to be made to existing processes and systems which need planning and implementation, communication to residents helping them either subscribe to the service, or to answer questions they may be.

Costs have been included in the MTFS for:

- i. Billing system changes – one off updates to systems to accommodate the change to a subscription service,

Yotta	£30,000
IEG	£30,000
Resource	<u>£40,000</u>
Total	<u>£100,000</u>

- ii. Removal of bins – any bins which are not subscribed into the service will need collecting and preparing for re-use - £250,000
- iii. Staff consultation costs, linked to rota changes or changes to ways of working, 6 months' HR resource, £22,500
- iv. Communication of changes to residents £125,000
- v. Change management resource, 15 months (9 months pre implementation, 6 months post implementation) £162,500
- vi. Call Centre resource, 1 x CS advisor for 12 months, 4 x CS advisors for 3 months £63,037
- vii. Provision for change £126,564

Impact of Delaying Garden Waste Subscription by One Year:

Table 5	Council Funding Statement Budget (2023/24) and MTFS						
	2022/23		2023/24	Medium Term Financial Strategy			
	Budget	Forecast (September)	Budget	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000	£000	£000	£000
Net Expenditure	21,514	22,045	24,113	22,474	20,987	21,134	21,599
Contribution to/(from) Earmarked Reserves:	-	(114)	187	253	253	253	253
Contribution to/(from) General Reserves	249	127	(0)	2,774	1,469	729	(309)
Budget Requirement	21,763	22,058	24,299	25,501	22,709	22,116	21,543
Impact of delaying GWS by 12 months:							
Net Expenditure in existing MTFS			24,113	22,474	20,987	21,134	21,599
Remove current GWS assumptions in MTFS:							
- Implementation costs				(850)	-	-	-
- Ongoing activity				1,319	1,650	1,982	1,982
<u>New GWS assumptions:</u>							
- Ongoing activity					(1,319)	(1,650)	(1,982)
- Implementation costs							
Billing system changes			50		100		
Removal of old bins					250		
Staff consultation					23		
Communication of changes to residents					125		
Change management			33		163		
Call centre resources					63		
Provision for change					127		
Total Implementation costs			83	-	850	-	-
Adjusted Net Expenditure if GWS delayed			24,196	22,943	22,168	21,465	21,599
Net Expenditure per MTFS			24,113	22,474	20,987	21,134	21,599
Movement - (favourable)/Adverse			83	469	1,181	331	-
Total, all years			2,064				

Sensitivity analysis

Assumptions		Round	Salary	NI (ers)	Pens (ers)	Total
Number of residents	80,000	Driver Grade D	22,380	1,999	3,872	28,250
Current number of runs	7	Loader Grade C	20,451	1,708	3,538	25,697
Truck staffing/run	£79,645	Loader Grade C	20,451	1,708	3,538	25,697
Fuel	£141,905	Total	63,282	5,415	10,948	79,645

Collections per run	11,429	Year 1
Staffing per run	£79,645	Year 2
Fuel per run	£20,272	Year 3 & 4
Revenue per bin	£57.50	

No account taken of second bin collections, impact is likely to minimal

Sensitivity:

	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%
Percentage take up	5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%
Volume of collections	4,000	8,000	12,000	16,000	20,000	24,000	28,000	32,000	36,000	40,000	44,000	48,000	52,000	56,000	60,000
Number of run required	1	1	2	2	2	3	3	3	4	4	4	5	5	5	6
Annual revenue (£)	(230,000)	(460,000)	(690,000)	(920,000)	(1,150,000)	(1,380,000)	(1,610,000)	(1,840,000)	(2,070,000)	(2,300,000)	(2,530,000)	(2,760,000)	(2,990,000)	(3,220,000)	(3,450,000)
Annual cost of collection (£)	99,917	99,917	199,834	199,834	199,834	299,752	299,752	299,752	399,669	399,669	399,669	499,586	499,586	499,586	599,503
Transaction fees (£)	(4,600)	(9,200)	(13,800)	(18,400)	(23,000)	(27,600)	(32,200)	(36,800)	(41,400)	(46,000)	(50,600)	(55,200)	(59,800)	(64,400)	(69,000)
(Surplus)/Deficit (£)	(134,683)	(369,283)	(503,966)	(738,566)	(973,166)	(1,107,848)	(1,342,448)	(1,577,048)	(1,711,731)	(1,946,331)	(2,180,931)	(2,315,614)	(2,550,214)	(2,784,814)	(2,919,497)
Movement from Year 1 assumption (£)	973,166	738,566	603,883	369,283	134,683	0	(234,600)	(469,200)	(603,883)	(838,483)	(1,073,083)	(1,207,766)	(1,442,366)	(1,676,966)	(1,811,648)
Staffing impacts - (reduction)/increase in comparison to Year 1	(6)	(6)	(3)	(3)	(3)	0	0	0	3	3	3	6	6	6	9