

Mini-survey / ADEPT Place Directors – April 2022

Supply chain issues

Question 1: What are the main cost / operational / contractual issues for your services due to energy and fuel price inflation?

- A. Energy price rises are causing a significant concern with our street lighting bill likely to increase by in excess of £1m. We are seeing concern amongst transport providers in relation to fuel prices and we are seeing increases in construction costs.
- B. Rising front line service costs - waste collection, GM etc. Leisure centre energy costs.
- C. Fuel costs are particularly impacting on our waste, highways and transport (including school transport) contracts. There is also an impact where we operate vehicles ourselves and on staff who use their own vehicles for work. Energy cost increases impact on the cost of our premises and then impact onto other services (eg care).
- D. The main impacts have been in the area of energy and building materials inflation. Energy particularly impact on operations such as major leisure centres and swimming pools. We have seen one important local construction company fold due to cost pressures. All bus operators in the area are proposing service reductions due to fuel costs and labour shortages.
- E. Three areas of concern: 1) rising cost in home to school and SEND transport operations with a number of contractors on the brink of abandoning routes 2) Rising construction supply costs with a number of early warnings on current schemes and rising costs across the sector 3) Inflationary mechanisms in key long-term contracts kicking in which will significantly impact on the reduction of service delivery.
- F. A number of factors have contributed to unforeseen price increases across a range of council service areas: -
 - * Covid-19
 - * HGV driver shortage
 - * Global supply chain issues
 - * Ukraine Crisis

Fuel

- * Extreme upward pressure on fuel prices currently
- * Impact on our directly delivered services
- * Also impact of limit on red diesel usage on direct operations and contracted plant services
- * Too early to forecast the medium-term impact
- * Current price paid - £1.40 per L diesel (£1.05 Red)
- * Tanks capacity - at least 5 weeks supply. This will increase as the Winter Maintenance season finishes.
- * We have not to date experienced any supply issues, but we will keep tanks topped up.

Waste Contracts

Our Waste contracts for the disposal of residual and bulky waste are due to be up-lifted by RPI increase in April 2022. The RPI is yet to be finalised but likely to be in the region of 8%.

Street Lighting Energy

Will be affected by the increases in electricity prices. Corporately procured but will impact on the sections budget at some stage or require extra ordinary inflation request.

- G. Operational concern is mainly impact on Home to School provision where provided services has the risk contractually with the operators but the directly provided SEN transport sits with us. The highways service is target cost operating model so impacts on agreeing prices and risk share.
- H. Although there are known increases in bitumen-based products and fuel (particularly diesel which is now markedly higher than petrol), these have not yet led to contractual claims - but will at some point. The inevitable consequence will be a reduced return on investment as what 'the pound' can buy reduces. Increased energy costs will impact on the borough's lighting energy costs but nothing notable arose in 2021/22.
- I. Costs on works contracts, especially where they are currently being retendered. Uncertainty in minds of bidders regarding future costs.
- J.
- Home to school and public transport service instability (early contract termination by operators)
 - Council fleet fuel purchasing costs
 - Street lighting energy costs
 - Additional financial risk raised by EV charge point operators for setting and varying tariffs.

K. No response from this LA

L. Asphalt Products

Following the increases we saw at the start of the year we have seen further increases from all Asphalt suppliers for both collections and deliveries, largely as a result of market turbulence caused by the conflict in Europe. Asphalt suppliers have also applied further increases in their price per ton because of the governments changes to rebated red diesel. Increases range between 7-18% depending on supplier and product.

Ready Mix Concrete Products

Since the increases we have seen at the end of last year there have been further substantial increases in raw material prices around the world in construction sand, gravel and crushed stone. This combined with fuel price increases, we have seen further ready mix concrete prices come into effect as of April. Increases range from £9/m³ to £16/m³ depending on supplier and product.

Pre Cast Concrete Products

As a result of the aforementioned increases in fuel costs, general aggregate prices and the sustained increase in cement, we have seen far greater than usual increases in precast concrete prices. We have seen the products we use most frequently such as Straight/radius kerbs, edging, asp paving increase prices up to 50%.

Fuel

Crude oil prices have been steadily rising since mid December, largely as a result of the escalation in Ukraine. Prices saw a spike in the last month and there is optimism that prices may begin to stabilise and start to decrease. This instability in crude oil prices have meant diesel prices have also increased and in recent weeks, suppliers have been struggling to fix prices for any longer than 24 hours.

From 1 April 2022, rebated diesel (known as red diesel) and rebated biofuels will no longer be allowed to be used as they are currently. You will only be able to use rebated fuel for specific purposes, when using certain allowed: machines, vehicles, vessels, appliances. This government change means that we can no longer procure rebated fuel resulting in an increase of 46p per litre.

The combination of this government red diesel change and volatility in oil prices will have a number of direct and indirect impacts on the business. We have seen increases in the majority of products, subcontracted works and the direct impact on running plant and vehicles.

Question 2: Where are material shortages / delays and labour shortages / rising wage levels impacting on your council services?

- A. At the moment we are in a planning and preparing phase rather than making changes to reflect the inflation pressures we are seeing. In labour terms we are struggling to keep technical staff especially in transport planning, sewers and drainage and this is meaning that we are failing to deliver services to Planning Authorities which will, eventually, result in us having a greater burden in future years. We are yet to see the impact of wage rises for our partners but safe to say that the inflation assumptions made in our budget setting process were not sufficient to address what we are now seeing.
- B. Cross the board difficulties in recruitment from operatives to managers, and across all Operations areas.
- C. Impacts both on front line delivery staff (waste, highways) employed by our contractors but also with professional staff (particularly flood and water management, quantity surveying and bridges)
- D. The main impact is on highways maintenance and construction projects. Bitumen and asphalt have shot up in price and are in short supply. The lead time for construction materials are extending and the sector is suffering from labour shortages.
- E. Supply of steel for a major bridge project is currently being affected by delays and costs. The labour issues are particularly being felt in the transport sector.
- F. Materials and Supplies
 General price increases being experienced across all categories, for example timber products 45% increase and steel currently at 8% year on year.

Some delivery delays on some materials but not significant at present.

Bulk Waste Transport

* Driver shortage, increased costs for haulage sector driving price increases - we are currently negotiating but likely to be up to a 19% increase - £115k pa increase. (Current price £615k pa).

Public Transport

* Although WECA funded we know that bus operators have significant pressures: -Fuel, Drivers, Gov funding cuts

* We expect to see significant cuts to the bus network in Sept once the WECA tender round has completed

* Will impact our direct costs where public bus services are used for home to school transport (mainly KLB, Brimsham, etc)

Vehicles

* Experiencing significant delays on new vehicle deliveries (12-18 months in some cases).

* Supply limited

* Costs are increasing but not dramatically at this stage but discounts less available particularly for low emission vehicles.

* We are running vehicles longer to mitigate and when we do dispose of the vehicles the prices achieved are good.

- G. We have just agreed increase in cost for specialist design services within our highway contract. Within the council we are struggling to specialist roles around bus, structures, signals/traffic, trees, etc.

- H. Difficult to distinguish between delayed arrival of products (e.g. street furniture) arising from the war in Ukraine from the impact of Brexit. There has been problems getting hold of street lighting central management system components and it is known that steel street lighting column delivery times will increase, potentially impacting on an enhanced programme for 2022/23 and 2023/24 column replacement programme (particularly focused on parks and greenspaces).
- I. Street lighting equipment, particularly and steel.
- J. Highways and traffic engineer shortage driving up hourly rates, making it difficult to retain good staff (leaving to work for agencies) and impacting on scheme delivery timescales and quality across development control and highway improvement projects. Impact of NI increase has compounded this. Ukrainian steel used in HGVs and chassis of fire appliances (e.g. MAN vehicles) resulting in delays to orders for new vehicles.

Delays in sourcing replacement light vehicles and EV's for front line services (fire, highways, children's, adults) due to chip shortage. Longer lead times, older less reliable vehicles being kept for longer, leases extended.

Access to ICT equipment (e.g. high spec CAD devices for designers) taking longer due to chip shortages. From a wider perspective, rising fuel prices will be felt by those reliant upon a vehicle to access employment, particularly the case where low paid or shift work is accessed at times when alternative public transport is available. Over time this could lead to increased levels of unemployment and the inability for employers to match people to jobs, impacting on the wider economy. The anticipated rise in public transport costs will have a similar if less immediate impact on these groups also.

The inability for businesses to match people to lower paid roles will in turn impact on the profitability and viability of those companies and impact on the wider economy.

Supply and demand issues, may over time trigger increased wage levels but this will lag the impact on communities and businesses, rendering some impacts unrecoverable in the short-term.

In turn, this risks further driving inflation and the impacts highlighted above.

- K. No response from this LA
- L. With regards to material delays and shortages we are not experiencing significant delays. The exception to this is natural stone, which has been impacted, largely due to shipping issues and the impact of covid on Chinese manufacturing. Clients providing early visibility of works programmes and budgets will greatly assist in mitigating potential delays to programmes.

Regarding employment and wage increases, it continues to be an increasingly competitive market that is candidate driven. It is proving increasingly difficult to find skilled employees at a competitive salary as candidates are constantly searching for companies paying over and above the average base rate.

Question 3: 3. Are there any contractual issues for you as a result of sanctions against Russian companies e.g. gas suppliers?

- A. None that I am aware of at present
- B. Not currently
- C. Not at present
- D. No
- E. None that we are aware of
- F. N/A

- G. No
- H. We have explored the link between our leisure centre service provider, Fusion, and Gazprom for the supply of gas. As reported in Local Government Chronicle two weeks ago, the status of **Gazprom** in the UK means that **Fusion** can continue to receive gas from this company without breaching the sanctions. Fusion has provided details of how much the termination of its contract with **Gazprom** and switch to an alternative supplier would be but this 'offer' is not being taken up.
- I. Not at present
- J. We are not aware of any direct or significant contractual issues impacted by sanctions against Russia. Other than the impacts that rising fuel costs and hyperinflation have on current suppliers.
- K. No response from this LA
- L. No response from this LA

Question 4: 4. What are the main issues in your area arising from the programme to resettle refugees? (i.e. impacts on People Services and the wider locality, not just Place Services)

- A. We are seeing significant pressure both in terms of resource and cost as a result of the resettlement programmes that we have had over the last year (of which Ukraine is the most recent). There are concerns about rehousing, about whether the govt scheme will work and if not where does the responsibility fall, around school places and the general health and wellbeing of the refugees.
- B. The £10,500 is unlikely to cover all local government costs. Concerns regarding lone Children - this has been an issue through the Afghan refugees' resettlement. Concerns that Homes for Ukraine isn't matching homes with refugees and high risk of fraud through social media linkages.
- C. Concerns about how the scheme is operating, particularly in relation to safeguarding checks. Also concern about placements breaking down resulting in refugees becoming homeless with an impact on housing services
- D. It just adds to the local pressure on social services. We took in a significant number of Afghan refugees.
- E. People services are seeing the greatest impact, but this is really a carry forward of the work they were doing with Afghan refugees. Our emergency management teams are also engaged with refugee work, finding sufficient volunteers to cover what is being asked of us by the Home Office continues to be a problem.
- F. Still progressing at this point in time
- G. No noticeable impact at present but expecting general additional demand on services and school provision.
- H. We have seen tremendous support from our residents who have been raising money and sending much needed items to the Ukraine relief effort.

We have also received hundreds of registrations from residents who are looking to offer a place in their home, as part of the Homes for Ukraine sponsor scheme. The Council has responded to the crisis by

- Creating bespoke guidance documents for arriving Ukrainian residents, including guidance on life in the borough as well as advice on applying for a job or a school place
- Working to establish Ukrainian support networks through meeting with the VCS groups to support the response
- Setting up a multi-disciplinary team to co-ordinate the Council's response
- I. Staff requirements to support effort are likely to have an impact, includes Place staff who have volunteered.

- J. staff capacity
 Up to date data
 Speed we can move to support people.
- K. Access to affordable, sustainable accommodation for Ukrainian refugees after the initial 6 months host support.
 Many refugees already in the city are in the lowest income bracket and are already experiencing extreme hardship with the rise in increasing energy and food costs.
 Barriers into employment in an area with low diversity rates and employers do not have experience of hiring those with low levels of English.
 Transfer/conversion of education qualifications and skills. Highly skilled refugees unable to access employment in their field of expertise.
 Severe lack of resource and funding from the DfE to support ESOL (English lessons) this means that refugees are unable to access English classes which would enable them to progress more quickly into the labour market. Most refugees want to work asap and there are skills shortages but their language levels are still too low. ESOL needs proper strategic investment (this is both a national and local issue).
- L. No response from this LA

Question 5: 5. How is the impact of the cost of living crisis being felt by communities and businesses in your area?

- A. limited data on this at the moment.
- B. Significant concern from the most vulnerable about rising fuel and energy costs. Our operatives are concerns about the cost of travel to work.
- C. A lot of concern locally about rising fuel and energy costs. As a rural area journeys to access services are on average longer.
- D. Businesses are struggling to pass on cost increases and the viability of a number of local operations in question. Already deprived areas are slipping further into food and energy poverty.
- E. No response from this LA
- F. Still early days
- G. Impacting on the leisure and hospital industry. Impact of council agile/home working being understood in terms of staff willingness and cost.
- H. The Council is refunding £150 to those who pay Council Tax by direct debit and issuing vouchers to that value who don't use direct debit as their means of payment. The Council has a Support Fund that can help with the costs of basic living needs such as food, gas and electricity and operates a Council Tax Reduction Scheme for residents on low incomes with Council Tax costs. Demand on these is expected to rise over time.
- I. Rising costs seem to be affecting the viability of some businesses, but the full effects have not really be felt yet. There is concern about the future and rising costs.
- J. No Update
- K. No response from this LA
- L. No response from this LA

Question 6: 6. What sort of short term / urgent support do you think that you will need going forward?

- A. There is a significant capacity challenge and I am not convinced that there are the resources are there even if we had the funding. Clear messaging from govt is essential and clarity about how they will support local govt in the current financial situation. Willingness of Govt to underwrite inflation costs associated with bids that are being submitted or awarded would give some piece of mind.

- B. Further funding for Ukraine scheme. Financial support to mitigate the impact of rising energy and fuel costs to prevent cutting services.
- C. Financial support to cover the rising costs for transport services and uplift in contracts.
- D. Support for local bus services and SME's.
- E. Some review of capital grant to reflect the impact of inflation, particularly on building projects such as schools. Local authorities shouldn't have to carry the risk on these schemes in a hyper-inflation situation, it could break many authorities or put an end to some projects.
- F. Additional funding would be helpful
- G. No response from this LA
- H. Flexible grants to support increase in costs. Easier access to specialist staff to plug capability or capacity gaps.
- I. Additional support for those most affected - those unable to balance heating their home, working and looking after their families' basic needs. The extent of need will become clearer as the situation progresses
- J. Stability of prices is required, but appreciate this is difficult deliver. Budgets tend to be fixed at start of financial year and it is assumed inflation will be accommodated which is not a problem in times of lower inflation. Currently rising costs are likely to result in less work, resurfacing etc for the same budget.
- K. Shorter lead times between authorities bidding for government funding/grants, decisions taken by ministers and funding being received by councils. Lengthy delays are having a disruptive impact on validity of supplier quotes/tender prices, inflation pressures etc, need for re-procurement.
 In year fuel price / energy support for public transport and education transport contracts in particular, these may be a year on year recurring challenges and compounded by the change on travel patterns already seen from Covid
 Increases in unemployment and particularly the impact on the most vulnerable in society is likely to have wider cost implications for the Council over time
- L. No response from this LA

Question 7: 7. Any other issues you want to raise?

- A. No response from this LA
- B. None at the current time.
- C. No response from this LA
- D. No
- E. This is a rapidly unfolding and changing issue and it may be worth collecting this information again in a month or two time.
- F. N/A
- G.
- H. Fuel shortages may spark another spate of queues at petrol stations, causing localised congestion but lessons have been learnt following a similar situation last year.
- I. No
- J. No response from this LA
- K. No response from this LA
- L. The upshot is that my managers expect that annual contract index rises in July (the contract award anniversary) could be 10%, in conjunction with commercial pressure from the contractor over the following year.