

Report of the **Director of Neighbourhood Services**

Draft Final Accounts for 2005/06 and Full Year Performance Statistics

Purpose of Report

1. The purpose of this report is to advise the Executive Member of the draft financial out-turn for 2005/06 by Commercial Services alongside the full year service performance statistics.

Background

2. Commercial Services operated under the budget approved by Members in February 2005 and the annual financial target set by Council as part of the overall budget strategy.
3. In order to achieve the challenging target, a number of significant changes took place from the beginning of the financial year. These were designed to improve the overall financial performance of Commercial Services as follows:
 - Strive to achieve the individual efficiency gains and savings of £76.8k.
 - Seek additional external service growth to improve overhead recovery of £65k
 - Reduce loss on School Cleaning contract by increasing the charges at a rate slightly above the rate of inflation. This has been agreed with most schools. To date only one school has opted to withdraw from the service.
 - Save £40,000 from more efficient working methods available under the Partnership with Housing and reflect this in the cost base for the Repairs Service Level Agreement.
 - Release the operating contingency normally used to fund in-year variances like lower than expected work volumes, external supplier price rises or serious vehicle breakdowns.

4. The small financial target surplus set by Council reflects the Best Value accounting. The continuous improvement expected from Commercial Services is achieved by providing services to a growing external market. The first call on the surpluses made from external trading was to offset some of the internal work, which is currently trading at a loss and the cost of apprentices.
5. Service provision is as important as financial performance. Members approved the Commercial Services, Service Plans, in April 2005 which went forward into the Council Plan published in July. The revised annex 1 'Performance Measurements and Monitoring' sets current performance against the measures from these Service Plans. These are usually reported to the Executive Member on an 'exception' basis.

Performance Against Financial Improvements

6. Much of the work designed to improve the financial performance as set out in paragraph 3 was achieved. Of the fifteen areas of savings identified as part of the budget approval, all but two have been achieved. The areas of difficulties are:
 - Depot repairs – The requirements of the Health and Safety Executive (HSE) to show clearer separation of vehicle and pedestrian traffic. This work was completed in the year and funded from the additional surplus.
 - Tools and Equipment – The need for additional investment in new equipment as a result of the Hand Arm Vibration (HAV's) monitoring was not expected when the savings were proposed.

Comments on the Actual Service Performance for 2005/06

7. Service Measures and Monitoring. There are currently eighty measures, some of which are new this year. Of the measures, most of are close to, or exceeding their targets. There are a small number of areas of service delivery which require attention, and there are many examples of service excellence. Details are shown in Annex 1.
 - Street Scene – This service is performing well and is recognised as a key part of the Council's York Pride initiative. There are some measures, notably linked to the Annual Housing Monitor (AHM) where Street Scene must work in close partnership with the 'housing client' to improve the overall score. The Civic Trust Green Flag Award report stated that the judges' assessment of Rowntrees Park was very complimentary 'A combination of passive and active recreation is found in the park combining all the requirements of a city park. The difference in the last twelve months is a credit to the City.'
 - School and Building Cleaning – School cleaning is showing a reduction in customer satisfaction for the year. The monitor for schools was taken during the first academic term. (September to

December). It was during this period that the service was under pressure, both from a point of view of the sickness levels and difficulties in the recruitment of cleaning staff. General complaint levels were high during this period. We are pleased to report that sickness levels have now stabilised and the days lost through sickness is showing an encouraging improving trend. Similar difficulties were experienced in Building Cleaning where the sickness level is now holding back the development of this business.

- Waste Services – October and November proved to be challenging months for this service. The levels of missed bins reached extremely high levels peaking in October with the introduction of the alternate week collection. The volumes were such that it was impossible to distinguish between genuine missed bins and bins which were late or wrong presentations by resident. Soon after this period the residents opinion survey was taken. Those residents dissatisfied with the refuse collection service increased from 7% to 22%. And those satisfied with recycling fell from 73% to 70%. The data does not facilitate further analysis, therefore we are unsure if it is dissatisfaction with the service being delivered by the crews, or the policy of moving to alternate week collection. We are currently carrying out a doorstep survey at 10,000 properties across the City asking various question with regard to recycling. One of the questions is; on a scale of 1 to 10 how satisfied are you with the services. Halfway through the survey, 74% are rating the service between 8 and 10.
- General – Commercial Services has been a consistent high performer with regard to the payment of supplier invoices within 30 days.

Comments on the Actual Financial Performance for 2005/06

8. Commercial Services has made a surplus of £398k trading surplus on its operational activities. This is against a budget approved of £139k. This was achieved despite pressures on expenditure as the fuel prices recorded substantial rises during October and into November 2005 and again in March 2006. Further, as a result of the *European Physical Agents (Vibration) Directive*, The UK established the *Control of Vibration at Work Regulations 2005*, which came into force on 6th July 2005, which brought a need for a significant rise in the monitoring and replacement of equipment and the need for health surveillance for staff. The level of the surplus reported has been achieved through aggressive expenditure controls and the withholding of the vehicle replacement programme. This decision has had the most noticeable impact on the Civil Engineering department, where six gritters and two gully tankers have been held over into the 2006/7 financial year. This

detail of this is enclosed within Annex 2 which is exempt under paragraph 3 as it contains commercially sensitive data.

- **Building Maintenance** : For the first quarter, this account was still operating under the Housing Repairs Contract (R10) with its inerrant difficulties of the inflation settlements being less than the actual increases in costs. These losses remain within the account but the surplus from external trading with Housing Associations and NYCC have mitigated the impact.
- **Civil Engineering** : This account is performing very well throughout the year with a steady workflow from the highways client. Much of the surplus has been achieved from external work as the need for a reactive response to private blocked drains increased. There has been a one off saving in the year with the postponement of the vehicle replacement programme.
- **Waste Services** : This account is a significant user of diesel, and the increased in fuel costs over the year has brought some difficult expenditure pressures. Commercial Waste performed above expectation and contributed to the performance of this account which, overall exceeded its target. The new Waste Management Contract with the York University is working well with early indications of there being significant opportunities to increase the recycling from their sites.
- **Building Cleaning**: Managers are now working with individual schools to tailor the service to the available budget. This work is still on-going but should go some way to correcting the school cleaning account in 2006/7. The current level of income and high sickness levels on building cleaning created significant services and cost pressures during 2005/6. Managers are focused on correcting these pressures during the coming year.
- **Street Scene**: On normal trading activities, this account is operating close to breakeven. During the year there has been two issues that have required one-off financial investment. These were:
 - The requirement to fit Rollover Protection Systems (ROPS) to all out-ride-on mowers following the fatal accident in May 2005. It was not possible to fund them through the normal leasing arrangements due to the age profile of all the machines, it was therefore funded in year.
 - The *European Physical Agents (Vibration) Directive*, outlined above has required early replacement of some of the smaller hand-held machines as they failed to comply with the new vibration legislation. This was a one off, as we are now back on the normal replacement schedule.
- **Motor Fitter** : The loss is as a result of lower staffing levels than budgeted in the financial year, resulting in fewer jobs being done and

as a consequence lower turnover. It was decided not to fill the vacancies immediately as there will be a need to review the apprentice situation. The loss is an internal transaction only, as repair work done adds the transport costs of operational departments.

Options

9. Both the FRS17 adjustment and the temporary support for the department are covered by a central budget. The uninsured losses of £114,102 is a cost to the operation. This still leave a figure of £103,000 additional contribution available.
10. Many of the uninsured losses are estimates and could increase during 2006/7. The forensic fire investigation reports are still to be made public and at the time of writing, the contents of the reports are not available to Officers. Member can make a recommendation either to release all the additions surplus back to the General Fund, or consider retaining some or all of the £103,000 in reserves pending the findings of the fire investigation.

Implications

Financial

11. The target budget contribution to the General Fund in the year was set at £150,000 as agreed in February 2005 by the Commercial Services EMAP. This was subsequently increased by £31,000 for Commercial Services central procurement savings, giving a total contribution commitment of £181,000. This has been achieved.

Legal

12. There are no legal implications arising from this report.

Human Resources (HR)

13. There are no HR or other implications arising from this report.

Equalities

14. There are no significant equalities implications within the report

Crime and Disorder

15. There are no significant crime and disorder implications within the report

Information Technology

16. There are no significant Information Technology implications in the report

Risk Management

17. The report is primarily a look back at finance and service performance and therefore there are no significant risks in the content of the report, although the action recommended in paragraph 19 of the report is an attempt to minimise any risk of further additional cost caused by uninsured losses.

Recommendations

18. The Executive Member is asked to note or comment on the contents of this report.

Reason: to update the Executive Member.

19. To consider the retention of the £103,000 in reserves pending the outcome of the fire investigation. (see paragraph 10 above)

Reason: to minimise any risk of further additional cost caused by uninsured losses.

Contact Details

Author:

John Goodyear
Assistant Director
Neighbourhood Services
Tel No.553204

Chief Officer Responsible for the report:

Terry Collins
Director of Neighbourhood Services

Report Approved Date 25/05/06

Terry Collins
Director of Neighbourhood Services

Report Approved Date 25/05/06

Specialist Implications Officer(s) - none

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

2005/06 Budget report and Monitoring

Annexes:

Annex 1 – Performance Measurements and Monitoring

Annex 2 – Exempt Annex