TITLE:	**EAST CAMBS STREET SCENE FINANCE REPORT**
Committee:	Operational Services Committee
Date:	31 January 2024
Author:	ECSS Director Commercial
Report:	Y130

1.0 ISSUE

1.1. To receive an update on the current East Cambs Street Scene (ECSS) financial position.

2.0 RECOMMENDATION(S)

2.1. Members are requested to note the contents of this report.

3.0 BACKGROUND/OPTIONS

3.1. On 13 November 2023 Committee received a formal update on the net projected overspend for 2023/24. At the time of reporting ECSS was projecting a loss of £80,066 and this did not include the outcome of the upcoming NJC pay award which would increase the projected net overspend if it was above the 4% that was allocated in the budget. It was verbally reported that the NJC pay award was now agreed and the overspend would increase by approximately £70,000.

3.2. On 18 January 2024 the ECSS Board formally noted the Quarter 3 Management Accounts that show a projected net full year overspend of £165k.

3.3. It is important to note that the current net projected overspend is manageable within the cashflow of the Company, i.e. there is enough cash to accommodate the net overspend.

3.4. Since the last report to Committee on 1 November 2023 (Agenda Item 7) the main contributing factors to the projected increased overspend relate to the impact from the NJC Pay Award and the reduction in income from recycling materials. At the same meeting the ECSS Director Commercial committed to provide Members with outcome of the spend review.

Spend Review

3.5. During November and December 2023, the ECSS Director Commercial worked with the ECSS Finance Manager and other key management within ECSS to review the financial commitments, establish where savings could be achieved and consider the likelihood of the overspend continuing to increase during 2023/24.

3.6. This resulted in a line-by-line review of the budget.

Eliminating the projected net loss

3.7. The majority of expenses are made up of staff costs, vehicles costs and fuel costs. There is little remaining in the budget that would enable any meaningful savings to be made that would bring the budget back into line and bring the company back into cost neutral position.

3.8. The ECSS Director Commercial considered whether any cessation of service would eliminate the projected losses. The only area where staff savings could be achieved in 2023/24 is agency staff. The projected spend on agency staff for the remainder of the year is £30,830 and as such would not achieve the level of saving needed to return to a neutral position and therefore there was insufficient cost benefit to support cessation of service.

Reducing and mitigating further increase of losses

3.9. Opportunities to reduce and mitigate further increase to the losses were identified in the following areas: Agency costs, vehicle costs and increasing income.

Agency Costs

3.10. The budget was originally based on 2.5 agency staff being necessary in 2023/24. An average of 8.2 agency staff per week were utilised during the first two quarters and this reduced to 4.3 agency staff per week in the third quarter. This resulted in an overspend of £157k on agency staff.

3.11. The reduction in reliance on agency staff is a result of recruiting permanent staff and positive management action. A combination of clear direction, a new Operations Manager and a commitment to a positive working environment has led to increased staff morale, a more settled and stable workforce and reduced sickness level.

3.12. These matters combined have resulted in higher productive days and enabled management to be less reliant on agency workers. Being less reliant on agency workers is important, not just from a cost perspective but also from a service delivery perspective.

3.13. The quarter 2 management accounts (where the projected net loss was reported as £80k) an assumption of 5.8 was projected for the remainder of 2023/24. The budget now assumes 4.3 agency workers for the remainder of the year, and this is being kept under continuous review.

Vehicle costs

3.14. This is still under review and whilst significant savings will not be achieved in 2023/24, small savings have been identified and some have been implemented with others being considered.

3.15. One area of identified saving relates to the servicing of fleet not covered by the O'licence. The non-O'licence fleet has been moved from being serviced every 6 weeks to an annual service. This is the same approach taken by ECTC Grounds Maintenance.

3.16. Another area where small savings could be achieved, and possible in 2023/24 relates to the cost of paying an external company to attend daily for vehicles checks that could be delivered cheaper and more effectively. This is currently being reviewed and should conclude during February.

3.17. A review of the current ageing fleet is underway and will conclude shortly. The ECSS Management Team continue to discuss the state of the fleet, what needs replacing and when and most importantly to ensure that any replacement is not simply like for like but replaced to suit the needs of the service. Replacing the ageing fleet with new and fit-for-purpose vehicles will save on maintenance bills, hire fees and assist in more efficient service delivery. It is highly unlikely that any savings will be achieved in 2023/24.

Increasing income

3.18. ECSS has a small number of contracts (secured by the Council a number of years ago) that are being reviewed. This could potentially lead to a modest increase in income.

3.19. A review is being undertaken to establish what work is being done for customers who are not the District Council and whether any of this work should be charged for. This review will conclude during February 2024. ECSS Board will receive an update following the conclusion of the review. There will be no opportunity to deliver income resulting from this review in 2023/24.

3.20. Additional income from scrapping the old vehicles was higher than anticipated and this was due to extensive market research to achieve best return.

4.0 ARGUMENTS/CONCLUSION(S)

4.1. As identified above the current net projected 2023/24 overspend is £165k. The ECSS Director Commercial is confident that costs within ECSS control should not contribute to an overspend above this level. That said, there are two main costs elements that are outside of ECSS control; fuel and income from recycling and no assurances are given in these two areas as they could increase the overspend further. Conversely, fuel cost could decrease and recycling income could increase which would reduce the net projected overspend.

4.2. ECSS is faced with two options; Option 1- increase 2023/24 management fee and Option 2- roll forward the loss into 2024/25 and request an increase in the 2024/25 management fee to recover the loss.

4.3. In either Option 1 or Option 2 the Council will need to make a decision on 20 February 2024. The Director Finance has indicated, subject to Council approval, that the preference would be for Option 1 as this would enable both parties to deal with the matter ‘cleanly’ in the accounting year.

4.4. On 18 January 2024 Board resolved to instruct the ECSS Finance Manager to formally write to the Council’s Director Finance and request an increase in the 2023/24 Management Fee of up to £200,000.

4.5. This request will be formally considered by the Council on 20 February 2024.

5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT

5.1. The financial implications are identified in 4.1 to 4.5 of this report.

5.2. Equality Impact Assessment (EIA) not required.

5.3. Carbon Impact Assessment (CIA) not required.

6.0 APPENDICES

None

Background Documents:

Operational Services Committee- Agenda Item 7- ECSS Finance Report