

OVERVIEW AND SCRUTINY BOARD

1 APRIL 2014

**FINAL REPORT OF THE ENVIRONMENT
SCRUTINY PANEL -
INCOME GENERATION IN
ENVIRONMENTAL SERVICES**

PURPOSE OF THE REPORT

1. To present the Environment Scrutiny Panel's findings, conclusions and recommendations following its investigation of the topic of income generation in Environmental Services.

FURTHER INFORMATION

2. Given Middlesbrough Council's difficult budgetary position, the scrutiny panel was interested to explore the issue of income generation insofar as it relates to environmental services. The panel was particularly keen to examine whether income is being maximised in respect of trading services, whether such services could provide additional income and, if so, how this might be best achieved.
3. This subject was investigated over the course of three scrutiny panel meetings held on 2 December 2013 and 13 January and 24 February 2014. A further meeting was held on 17 March 2014 to consider a draft final report. A Scrutiny Support Officer from Legal and Democratic Services co-ordinated and arranged the submission of written and oral evidence and arranged witnesses for the investigation. Meetings administration, including preparation of agenda and minutes, was undertaken by a Governance Officer from Legal and Democratic Services.
4. A record of discussions at panel meetings, including agenda, minutes and reports, is available from the Council's Agenda committee management system, which can be accessed via the Council's website at www.middlesbrough.gov.uk.
5. This report has been compiled on the basis of information submitted to the scrutiny panel by officers from the Council's Neighbourhoods and Communities Department.
6. The membership of the scrutiny panel was as follows:

Councillors Kerr (Chair), Clark (Vice-Chair), Brady, Cole, Davison, C Hobson, Rehman, Saunders and P Sharrocks.

THE SCRUTINY PANEL'S FINDINGS

7. The scrutiny panel's findings are set out below and relate to:

- Background Information
- External Income Generation

Background Information

8. The scrutiny panel was informed that fees and charges across Environmental Services will generate income of approximately £21 million in 2013-14. This income covers a very diverse range of services and activities - from services provided by Area Care and highways maintenance to licensing and charges for junk jobs, wheeled bins and services such as pest control. The biggest source of income to the Council is currently building cleaning (over £2 million). Depending on the service concerned, income is received directly from the public or from external bodies such as schools (for building cleaning), the Environment Agency (for becks maintenance), or other authorities (Redcar and Cleveland Borough Council for winter maintenance arrangements).
9. Some Council services, such as Licensing are self-financing and have ring-fenced budgets. Others rely on fees and charges to assist in subsidising service costs, although in general terms, it is important to consider the net effect of all income to the Council. External income is generated as a result of fees and charges and also the cost of service provision, to the public or external organisations.
10. The panel heard that some services that were previously provided to the public free of charge, are now charged for, such as junk job collections and replacement wheeled bins. In terms of charges to the public, the panel was advised that 'up front' payment is sought wherever possible - for example in respect of installing dropped kerbs or for pest control services. This saves on administration costs and also reduces the possibility of bad debts. The cost of recovering a debt is approximately £70 - £80, which has meant that, historically, it has not been worthwhile to pursue small debts. However, it was confirmed that there is currently no significant problem with bad debts relating to the environmental services provided to the public and external organisations and that bad debts generally relate to rents and business rates.
11. Each external income activity has an income target and these are subject to regular monitoring and review. For example, when charging for junk jobs and replacement bins was introduced, the initial income targets were not achieved and have since been amended. The introduction of charges can result in reduced demand and income targets need to be realistic.

12. The Panel was advised that it can be difficult for the authority to decide which services to charge for, particularly as many environmental services have been provided free of charge, or at a subsidised rate, in the past. For example the collection of junk jobs and bulky waste used to be free of charge and the cost of the allotments service (which has been the subject of recent examination by the Environment Scrutiny Panel) is heavily subsidised by the authority
13. It was explained that some budgets can fluctuate according to levels of demand from year to year. For example, although the authority's car parking service (which falls within the authority's broader Neighbourhoods and Communities/Environmental Services provision) used to generate a surplus, this has reduced significantly as a result of the economic downturn. Regular monitoring is required to ensure that budgets and income targets are adjusted as required. Also, realistic income targets need to be set in the first instance to ensure that budget shortfalls are avoided.
14. Some services included in the overall budget for Environment are financed from capital funding. This includes highway schemes, where approximately £1 million was allocated from the Local Transport Plan for 2013-14 year and £500,000 was allocated from the capital programme for resurfacing works on roads, footpaths and cycleways.
15. Although these services do not fall within areas generally examined by the Environment Scrutiny Panel, there is an important link. This is because there would be a significant effect and wide ranging impact across the Council's workforce (and other work areas) should this capital funding be removed or reduced.

External Income Generation

16. The scrutiny panel sought to examine the position in respect of external income from the sale of Council environmental services. In particular, the panel was interested to explore whether such income is being maximised and to identify any issues associated with this.
17. Information was to the panel that highlighted the income targets for services in Environment that generate income for the Council. Figures were provided in relation to:
 - Area Care and Waste Collection.
 - Highways Maintenance.
 - Winter Maintenance.
 - Allotments.
 - Fleet Management.
 - Building Cleaning and Security.
 - Building Maintenance.
 - Laboratories.
 - Highways Inspection Team.
 - Other, including roundabout sponsorship.

18. The financial information was noted by the scrutiny panel but has not been reproduced in this report as some of the information is commercially sensitive. Further, the panel was not concerned with examining individual budgets and income targets but, instead, sought to examine whether income levels are being maximised and whether there is scope to generate additional income.
19. Issues that were raised and discussed, and which the panel wishes to highlight, are shown in the following sections of the report.
20. Some areas of work have significant levels of trading. In these areas, there may be an opportunity to generate additional work and increase income. However, in doing so, a number of factors would need to be taken into account. These include competition with external providers; the cost of service provision versus income received (ie whether it is financially worthwhile to provide the service); and any additional resources (such as equipment and staffing) that would be required to provide the service.
21. A further issue that was considered and discussed by the scrutiny panel relates to whether the authority's systems are flexible enough to undertake short term work or one-off jobs. For example, would there be an opportunity to increase income if the Council was able to supply two cleaners for a two week job? Current processes for the recruitment of temporary staff preclude such arrangements. The time taken to recruit new employees has, however, been significantly reduced, although it was explained that it still typically takes around 30 days to recruit a new cleaner. Historically, Middlesbrough Council has not made widespread use of agency staff, though has done so on some occasions.
22. In overall terms, the authority's staffing levels are generally reducing. A particular issue relates to capacity to seek, secure and manage any additional work. This point must also be borne in mind in determining how best to proceed in future.
23. Some areas of work, such as repairs and maintenance, building cleaning and grounds maintenance are well suited to raising external income. The cleaning of schools in Middlesbrough raises a significant sum each year and some cleaning work is also undertaken in neighbouring areas. School cleaning is carried out under service level agreements. These are generally renewed on an annual basis, although there are some three-year agreements in place. The scrutiny panel was advised that, despite the move towards an increased number of academies locally, most schools continue to use the Council's cleaning services and levels of income are generally fairly stable and consistent. The service has been used by several schools for a number of years and is generally highly regarded in terms of service standards and levels of trust.
24. Income is also received from the provision of buildings management for schools (caretaking services etc) and from repairs and maintenance (eg boiler and heating servicing). This is an area where it may be possible to expand in the future. Consideration could also be given to the possibility of developing the Council's horticultural services to undertake grounds maintenance work for schools or other external organisations.

25. The panel noted that some cleaning work is also undertaken on behalf of local health/social care services - for example the deep cleaning of residential properties. Through the use of personal social care budgets, there may be an opportunity to expand commercial links with these services - for example by assisting householders with minor cleaning, repairs and maintenance or gardening.
26. In addition, the scrutiny panel was advised that Area Care has recently started to charge for cleaning outside of shop frontages that are situated on private land. This is undertaken under a Service Level Agreement. It was queried whether a charge could also be made in relation to cleaning in connection with late-night premises such as pubs and takeaways, or whether a charge could be included in the relevant licence fee. It was suggested that this issue should be explored further.

CONCLUSIONS

27. Having considered the submitted information, the Environment Scrutiny Panel reached the following conclusions:
1. The Environment Scrutiny Panel acknowledges and is pleased to see the efforts that have been made to raise income from trading activities such as building cleaning. This generates significant annual income for the authority.
 2. As a result of Middlesbrough Council's difficult budgetary position, the authority's workforce is generally shrinking. This raises an issue of capacity to both manage and undertake any additional work. However, the scrutiny panel considers that there is still an opportunity to expand trading activities in some areas. Careful consideration will need to be given to how this can be best progressed, for example, by determining likely return on any necessary investment. Opportunities will need to be balanced against risk.
 3. Areas that the scrutiny panel considers worthy of exploration are grounds maintenance, buildings maintenance/management (eg schools) and small-scale repairs/gardening/cleaning, for example on behalf of Social Care and Health Services through the use of personal budgets.
 4. Existing Council policies and systems have meant that it can be difficult and time consuming to recruit staff at short notice or on a short-term basis. Increased flexibility in this area (such as by recruiting additional staff or offering existing staff additional hours) could mean a more effective approach in securing short-term contracts and generating additional income.
 5. Some existing service level agreements (SLAs) for Council services are signed on an annual basis. Longer-term SLAs can provide greater certainty and stability in terms of future service planning.

RECOMMENDATIONS

28. Following the submitted evidence, and based on the conclusions above, the Environment Scrutiny Panel's recommendations for consideration by the Overview and Scrutiny board and the Executive are as follows:

1. That, subject to undertaking appropriate risk management exercises and cost benefit analyses in each case, new trading opportunities are actively sought to maximise external income for Middlesbrough Council's trading services.
2. That dialogue is opened with Social Care and Health Services to explore the possibility of service users using personal budgets to engage Council services for small-scale repairs, gardening and cleaning.
3. That, in order to facilitate the recruitment of staff to cover short term projects or contracts, and to improve opportunities to generate additional income, Council employment procedures and policies are reviewed. Subject to meeting required standards concerning pay and conditions, this should include better use of short-term contracts, fixed term contracts and agency staff, as appropriate.
4. That, where possible, and to assist with service and budget planning, external service users are encouraged to sign future service level agreements for periods of longer than one year.

ACKNOWLEDGEMENTS

29. The Panel is grateful to the following officers, who presented evidence during the course of this investigation:

- G Field - Neighbourhood and Communities - Environment.
- K Garland - Neighbourhood and Communities - Environment.
- A Humble - Neighbourhood and Communities - Environment.
- Councillor N Walker - Executive Member - Environment.

BACKGROUND AND REFERENCE MATERIAL

30. The following sources were consulted or referred to in preparing this report:

- Report to and minutes of the Environment Scrutiny Panel meetings held on 2 December 2013, 13 January and 24 February 2014.

COUNCILLOR BOB KERR

CHAIR OF ENVIRONMENT SCRUTINY PANEL

12 March 2014

Contact Officer:

Alan Crawford
Scrutiny Support Officer
Legal & Democratic Services
Tel 01642 729707
e-mail: alan_crawford@middlesbrough.gov.uk