

REPORT OF COMMERCIAL SERVICES JOINT COMMITTEE

(Meeting held 8 June 2006)

1. Appointment of Chairman

Councillor Busk was appointed as Chairman of the Joint Committee for the remainder of the municipal year.

2. Appointment of Vice Chairman

Councillor Thierry was appointed Vice- Chairman of the Joint Committee for the remainder of the municipal year.

3. Joint Internal Audit Report

Consideration was given to a Joint Annual Audit Report for 2005/2006. Internal Audit teams at New Forest District Council (NFDC) and Test Valley Borough Council (TVBC) had worked together to provide a comprehensive and effective audit service to the Partnership. This was the third year in which the Authorities engaged in a Joint Audit Review of the partnered services.

The Report gave an overview of the audits conducted in 2005/2006 and their outcomes and considered planned reviews for 2006/2007.

The Audit and Accountancy Manager from TVBC informed the Committee that the main conclusion from internal audit reviews during 2005/2006 was that the internal controls and record keeping within the systems reviewed were generally sound and there were no matters of significance or consequence to be reported to the Joint Committee.

4. Directors Report for the period 1 April 2005 to 31 March 2006

Consideration was given to the Director's Report which covered the period 1st April 2005 to 31st March 2006. Financial information for the period was presented under Section 2 and included a summary of income and expenditure by section, with variations of actual income and expenditure shown against profiled budgets, accompanying notes and accounts and outstanding debtor accounts.

(a) Financial Position

The provisional end of year figures for 2005/06 were presented for the New Forest and Test Valley business units. The NF overspend of £133K against budget represented less than 1% of the overall net budget. There were 4 main reasons for the overspend:

- Additional expenditure on gas servicing and reactive maintenance repairs that in agreement with the Housing service was transferred to the Housing Revenue Account at the year end (£46k)

- A shortfall in Land Drainage fee income recovery resulting from 2 unsuccessful grant aid applications to DEFRA. These will be resubmitted to the Environment Agency now that responsibility for this work has been transferred (£27K).
- A notional interest charge for public conveniences not previously charged and no revision to budget (£29K).
- Additional capital financing charges for the refuse fleet due to a change in accounting arrangements and no adjustment to budget (£68K).

The TV business units achieved a surplus of £137k (before notional pension fund adjustment) against a target of £48K. All business units had performed well with the exception of the Vehicle and Plant Maintenance which returned a deficit of £95K.

The Committee noted this continuing deficit situation and discussion of this issue was deferred as there was a detailed report concerning this issue later on the agenda.

(b) Operational Issues

The Committee were updated on key areas from the report and members discussed the following:-

Members remained concerned regarding sickness levels and requested a detailed report giving a breakdown of injuries/illnesses and timescales to be submitted to a future meeting

The Committee noted that a restructure of the Housing Reactive Maintenance Service had been approved by the NFDC Cabinet. As part of the new reactive maintenance proposals four Maintenance Inspector posts would be transferred from the Housing Service to the Building Works Division of Commercial Services. Discussions were still ongoing as to how this transfer would be implemented.

Members supported the proposal to create an additional post for an electrician in the NFDC Building Works Section. The cost would be covered by the housing revenue account budget.

Members supported the creation of an additional part time cleaning post required to fulfil TV cleaning requirements. The work, which is currently covered through overtime working within the section, equates to 6 hours per week.

Members endorsed the joint tendering arrangements for Tree Contracts between NFDC and TVBC, which could lead to a more efficient and timely approach to tree works and reduce costs.

The Service Level Agreement to enable TVBC to use the Corporate Purchasing Unit of NFDC has been approved by the TVBC Executive on the 4th May. Work could now commence on reviewing contract arrangements for a range of annual supply and service provision.

The Joint Committee has agreed:-

- (1) That the creation of an additional electrician post in the New Forest Building Works Section, be approved.
- (2) That the creation of an additional part-time cleaner within the TVBC Building Cleaning Section, be approved.
- (3) That the content of the Report be noted.

5. Review of Test Valley Vehicle Workshops

Consideration was given in private session to a report by the Assistant Director Commercial Services to discuss the financial performance of the Test Valley Vehicle Maintenance Operations.

The Assistant Director Commercial Services informed the Committee that the financial performance of the Test Valley Vehicle Maintenance Operations had been poor for some years and particularly prior to the creation of the Partnership in September 2002 with a reported deficit of £87,259 for the year ended 2002/2003. The financial position had improved over the ensuing years but the Section had continued to struggle to break even, despite a considerable amount of effort to resolve the problems. The year 2005/06 had proved particularly difficult with a net overspend against budget of over £90,000.

The key areas were highlighted for the continuing poor financial performance and an action plan identified to address the various problems.

The Committee recognised that some of these issues would be addressed with the implementation of the Alternate Bin Collection system. This would include a phased replacement of the existing refuse vehicle fleet which would be fully operational by December 2006. As the vehicles were to be owned outright by the Council they would not be subject to the contractual repair arrangement presently in place. In addition to this two of the onerous contractual agreements with SERCO and TLS would end in December 2006.

A balanced budget had been set for 2006/07, however it was now probable that an over optimistic view was taken in the preparation of this budget and that a more realistic approach would have been to allow for a modest budget deficit. It was therefore proposed that a revised target of a budget deficit of £30,000 be set for 2006/07. This deficit would be funded from surpluses generated by other Commercial Services business units or from the CSO reserve.

The Joint Committee has agreed:-

- (1) That the report be noted and the proposed actions identified to address the current financial pressures on the Vehicle Workshop accounts, be supported.
- (2) That the proposed budget deficit of £30,000 to be funded from surpluses generated elsewhere within Commercial Services or from the CSO reserve be recommended for approval by the TVBC Executive.

- (3) That a progress report be submitted to the Joint Committee in 6 months time.

CHAIRMAN