



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Companies Committee

29 June 2021

Report of: Councillor Dr Peter Moseley
Chairman of the Board,
Environment SK Limited



Environment SK Limited

This report provides an update on delivery of the 5 Year Business Plan and proposes changes to the Directors of the company.

The appendices 1 and 2 to this report are exempt under paragraph 3, Schedule 12A of the Local Government Act 1972 (as amended) because it contains information relating to the financial or business affairs of an individual or organisation.

Report Author

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Corporate Priority:	Decision type:	Wards:
Clean and Sustainable Environment	Administrative	All Wards

Approved by:	Mark Jones, Director, Environment SK Ltd	4 May 2021
Signed off by:	Cllr Dr Peter Moseley, Chairman, Environment SK Ltd	5 May 2021

Recommendation (s) to the decision maker (s)

1. Notes the updates provided; and
2. Support the proposed changes to the Directorships, as detailed in the report.



ENVIRONMENTSK

1 The Background to the Report

- 1.1 The 5 year Business Plan for Environment SK Limited was presented to the 22nd September 2020 Companies Committee. This report provides a further update and details progress to date. Environment SK Ltd is a wholly owned company of South Kesteven District Council providing facilities management focused on grounds maintenance, arboriculture and horticultural services to the Council, other authorities, parish and town councils, business and the public. It was established to provide the Council's grounds maintenance services and provide flexibility for a dynamic and evolving district ambition, and to deliver additional commercial financial benefits.

2 Progress

- 2.1 As Environment SK operates in a competitive environment many of the details are commercially sensitive. However, to assist in providing transparency, a high-level update on each area of focus is provided in this public report. Please note the financial figures provided are estimates, being subject to end of year final account processes.

2.2 Developing and operating an effective sales/marketing function

With the reduction in core contract value, securing commercial income is key to ensuring the sustainability and success of the company. In the current economic climate this has been challenging. The marketing and sales arrangements resulted in an overall 58% success rate for all quotes generated. A more detailed breakdown is provided in the exempt Appendix 1. The level of external sales in year 2 (April 2020 to March 2021) achieved £110,000 against a target of £87,000. Overall sales met target at £960,000. New contracts have also been recently secured for sites at Lincoln, Boston and Stamford.

2.3 Forecasting and adapting to changes in the economic environment

The financial management of the company facilitates ongoing forward projections allowing resources to be adapted in line with business performance and the external market. Greater flexibility within the permanent and casual mix of the workforce has been delivered as

planned. The core workforce has been reduced in line with core contract reductions. 5 permanent employees were released with associated one-off costs. The core contract reductions did not align easily with employee reductions. This reduction therefore placed greater urgency on seeking different ways of delivery to effect operational efficiencies. Workforce planning and resourcing with seasonal workers has been surprisingly more challenging than expected with the local job market being significantly influenced by the Covid situation and Brexit implications.

2.4 Treating all stakeholders professionally

We have maintained a close focus on building relationships with our key stakeholders. We have invested time and effort in managing customer relationships, developing bespoke services for clients and consequently securing additional work. Our flexible and close relationship with our core client has improved, specifically offering alternative solutions to the housing client and in providing added value services. We have provided assistance and support for key Council services during the Covid pandemic, ranging from providing support for the priority refuse collection service, through to ensuring the main vaccination site at Grantham had safe car parks and walkways during the peak winter period.

2.5 Establishing contracts fit for the future

Work has been ongoing with the core client to provide a fit for purpose arrangement reflecting their changing needs and delivering a more transparent set of agreed costs and returns. Our approach with client contracts looks forward, building on our core objectives of quality, service and value for money. This has been a challenge, as reductions in costs must relate to reductions in service. However, working in partnership with the housing service client has resulted in a much-improved higher standard of service being delivered for the 2021/22 season. Specifically, the introduction of a “cut and collect” grass cutting service for assisted gardens and the supported housing complexes. This has been secured through investment in new machinery.

2.6 Operating in a professional, safe, efficient and effective way in all we do

Managing the business in the right way to professional standards across all areas of activity is good value for money. A review of working practices and associated health and safety arrangements has been undertaken. Accident reporting and investigation processes have been reviewed and improved.

2.7 Continually assessing levels of productivity and efficiencies

The company operates in a competitive environment and to compete and deliver maximum returns the levels of productivity per employee and the working arrangements/methods used need to be constantly reviewed. The reduction in core workforce, as a consequence of core contract budget reductions alongside ongoing client demands, has required different delivery solutions to be explored. The learning from these and the positive outcomes will be adopted for the 2021/2022 season.

2.8 Generating operational surpluses to maintain a positive cashflow position

As a relatively new business, which has no guaranteed contractual income levels, we have invested significantly in plant, vehicles and equipment designed to deliver a level of business for a longer-term contract. The 1.46 million square metres of grass being maintained, dispersed across 365 square miles and the equipment required underpins our base costs and loan repayments. Close management of our cashflow position is being undertaken on an ongoing basis.

3 Financial update

3.1 The table below provides the latest estimates for the April 2020 to March 2021 trading year compared to Business Plan targets. The exempt Appendix 2 provides a more detailed breakdown of operating costs.

	Year 1 Actuals (2019/20)	Year 2 Target (2020/21)	Year 2 Forecast (2020/21)
Income			
Council Contract SKDC	1004	865	850
Private Commercial	53	40	7
Private Domestic	4	5	13
Public Sector	0	42	90
Total Sales	1061	952	960
Expenditure			
Cost of Sales, Admin and Interest	(988)	(894)	(939)
Operating Surplus before depreciation/taxation	73	58	21

3.2 We have now reached the end of our second year of trading. Whilst the above figures are provisional the end of year accounts will be finalised, with depreciation and any tax implications being assessed by our accountants, shortly.

3.3 Our overall sales reached target despite the reduction in our “private commercial” being lower than expectations. The Covid pandemic created an uncertain economic environment, with many prospective customers closing their premises and placing on hold plans or indeed reducing their requirements. SKDC core contract expenditure was lower than expected being balanced off by improved “public sector” and “private domestic” sales. The additional expenditure against forecast was driven by one-off payments associated with staff turnover and a need to bring in additional resource to deliver against contract expectations. The Covid impact earlier in the year and core contract funding changes during the year, created some inefficiencies.

4 Promotion

- 4.1 The Committee requested that the Directors work with the Councils communication team to promote the positive work being undertaken by Environment SK. Work has already been undertaken to utilise the Councils SKtoday magazine which is delivered to all households. Appendix 3 shows an example from the recent Spring edition. This will assist with further raising the profile of the Company. Positive news stories will be provided and shared through press releases and social media. The example of the new higher standard “cut and collect” grass cutting service being provided to Council tenants will be used to raise awareness through the Councils tenant’s magazine “Skyline”. Consideration is also being given to other opportunities which could utilise other channels of communication.

5 Management and Directors

- 5.1 The Board have appointed Douglas Rogers as the company’s Operations Director. Doug has 15 years of managing frontline services, predominantly Local Authority grounds maintenance and street cleansing where he helped achieved an APSE (Association of Public Service Excellence) National award for the cleanest streets. He has also worked in the private sector managing the delivery of both grounds maintenance and waste management services in England and South Africa.

His BSc.(Hons) degree in Wildlife Management has previously been used whilst managing grounds maintenance services to enhance council public open spaces, to create woodland edge habitat. Working collaboratively with local conservation groups, volunteers and residents, his consultancy helped develop sustainable wildlife habitat in local neighbourhoods.

- 5.2 Following the retirement of one of the Directors (Ian Yates), it is proposed that Ken Lyons, Assistant Chief Executive at South Kesteven District Council, becomes a Director. Ken will complement the team having a wealth of experience, being Head of Commercialism at Birmingham City Council and significant experience and success in senior local government roles.

- 5.3 It is also proposed that Ian Yates is offered the role of non-executive Director for the Company later in the year. His experience and knowledge will be beneficial to help steer and advise the company as it moves forward.

6 Appendices

Appendices 1 and 2 contain exempt information.

Appendix 1 - Sales

Appendix 2 - Operating costs

Appendix 3 – SKtoday example communication

Report Timeline:	Date of Publication on Forward Plan (if required)	Not applicable
	Previously Considered by: Companies Committee	22 September 2020
	Final Decision date	Not applicable