

# North Lanarkshire Council Report

## Environment and Climate Change Committee

Does this report require to be approved?  Yes  No

Ref AMcP/JA Date 09/11/22

## Amey Public Services LLP: Operational and Financial Performance Monitoring Report for 01 October 2021 to 30 September 2022 and Financial Performance to 31 July 2022

From Andrew McPherson, Head of Waste and Regulatory Services

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### Executive Summary

This report outlines Amey Public Services (APS) Limited Liability Partnership (LLP) performance against its' business objectives and council priorities for the period October 2021 to September 2022 and its' financial performance to 31 July 2022

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### Recommendations

It is recommended that the Environment and Climate Change Committee

- (1) Acknowledge APS LLP's operational performance up to 30 September 2022, along with service delivery highlights over the past 12 months.
- (2) Acknowledge APS LLP's financial performance at 31 July 2022

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### The Plan for North Lanarkshire

Priority Improve North Lanarkshire's resource base

Ambition statement (17) Ensure we keep our environment clean, safe, and attractive

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## **Background**

- 1.1 The council created the roads, street lighting and winter maintenance services LLP in 2010, following a tender exercise for a strategic partner to deliver such services over a ten year period. The successful bidders were Amey Local Government Limited and the contract commenced on 14 December 2010. Amey LG Ltd (now Amey Public Services LLP) owns a 67% shareholding in the strategic partnership with the council owning the remaining 33%.
- 1.2 A Management Committee consisting of representatives from both APS and North Lanarkshire Council is responsible for the LLP's governance, which includes operational delivery and management, staffing, financial control and reporting, health and safety, performance monitoring and risk management. The Management Committee meets quarterly, with council representation consisting of one senior officer and one Elected Member, and APS LLP membership comprising up to four representatives.
- 1.3 As per the Works Agreement, service reviews required to be carried out jointly at year 4 and 8 of the strategic partnership. The former Planning and Transportation Committee considered the findings of the Year 4 review and approved the requirement for the council to continue working with APS LLP to identify opportunities for the business to establish a stable financial position.
- 1.4 The Year 8 review commenced in July 2018 with the outcome initially reported to the former Infrastructure Committee in November 2018, but then carried forward to former Policy and Resources Committee in December 2018. The review recommended that the Head of Environmental Assets conduct a market testing exercise to identify whether amending some of the existing contract rates and prices for a term beyond June 2021 will be more beneficial to the council than ceasing the contract at its natural termination date.
- 1.5 The result of the market testing demonstrated that amending APS LLP rates provides value for money and recommended that the contract be extended for a period up to June 2024. The extension to the contract was reported to and approved by the former Environment and Transportation Committee in August 2019.

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## **2. Report**

- 2.1 This report confirms where Amey Public Services LLP are fulfilling its contractual obligations and meeting the council's service delivery expectations, as well as providing information from Financial Solutions on financial performance and overall financial standing within the company. This information will help give early warning of any financial risks which may give rise to operational or reputational risks for the council.

### **Performance Indicators**

- 2.2 Operational and financial performance is reported to this Committee after it has been considered by the Amey Management Committee. This provides Management Committee representatives with the opportunity to address any issues which require attention and thereafter, allows this Committee to receive the updated position, including any remedial actions where these may be required, that are being implemented.

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- 2.4 The outcomes from the 2021-22 and the forecast for 2022-23 performance indicators are detailed within appendix 1.

### **Best Value Efficiency Saving (BVES)**

- 2.5 The first 10 years of the contract makes provision for the contractor to provide the council with a BVES. This payment was set out at the time of tender and was a percentage of cost delivered through the contract. The BVES was then added to the road's revenue budget as an income and reinvested in road maintenance activities.
- 2.6 The contract is now in the extension period, and this means the contractor is no longer contractually required to provide the BVES. In financial terms, based on the average BVES for the first 10 years of the contract this will result in a £313,000 budget reduction and therefore a reduction in road maintenance activities.

### **Overview of Governance Arrangements**

- 2.7 APS LLP largely satisfies the council's required oversight arrangements, and routinely submits the monitoring information expected by council officers in line with the timeframes specified within the LLP Agreement.

### **Comments, Compliments and Complaints**

- 2.8 During this period APS received no complaints.

### **Service Delivery Highlights**

- 2.9 The following service delivery highlights were achieved during this period:-
- APS maintained its excellent H&S record over the period with 1 RIDDORS, 0 Lost time injuries and 4 Non-Lost Time Injuries.
  - Completion of phase 3 of the Loaning road safety scheme.
  - Completion of an active travel route including footpath widening, lighting and island installation works.
  - Completion of traffic calming scheme at Chapelhall.
  - Commencement of the delivery of a junction improvement scheme at the A71 Horsley Brae which includes complex works including piling and service diversions.
  - Completed junction improvements at Panther Drive
  - Continued with the LED replacement programme, nearing completion or residential areas and commenced main road work.
  - Completed the carriageway resurfacing programme.
  - Commenced bus infrastructure improvements, improving accessibility.
- 2.10 APS staff have also undertaken a number of activities in support of the local and wider community:-

- Amey staff collected four van loads of donations from Tesco supermarkets in Cumbernauld and transported them to the local foodbank.
- Amey staff undertook works at St. Mary's Primary School in Cumbernauld constructing two reading sheds and re-barking an area of ground.

### **Business Development**

2.11 A key aim of the contract is to encourage business development. During this period APS were successful in the following.

- Successful in its tender for East Renfrewshire Council: Lighting Maintenance contract 2021-2024, which has a one-year extension option to 2025.
- Completed works for other Amey business units such as
  - Layby construction works –A78 Finlaystone
  - Lighting works –A78 defects; M77 and M80 signpoles and lighting; A77/A78 roundabouts.

### **Financial Impact**

#### **Public Accountability Obligations – Financial year 2022/23**

2.12 To satisfy the council's duty to ensure the organisation delivering roads, street lighting and winter services on its behalf is financially sound, the council's Section 95 Officer maintains appropriate and proportionate processes and procedures for scrutinising APS LLP's financial performance.

2.13 The council's Legal Agreements with APS LLP specify the financial information which the company must submit to the council including an annual business plan, monthly management accounts, audited financial statements etc., to enable Financial Solutions to assess and report any financial risk likely to arise as a result of the council using APS LLP to deliver these services.

2.14 The Council expends both revenue and capital resources annually with APS LLP to deliver services which assist the Council in achieving its priority outcomes. For the Councils financial year 2022-23, sums of £10.964m and £13.971m were budgeted in respect of revenue and capital respectively for roads and lighting maintenance. APS operates a financial year ending 31 December 2022 and revises its forecast twice throughout the year. Based on APS revised forecast (RF1), works from the Council represent around 94% of annual anticipated net turnover.

#### **Financial Performance as at 31<sup>st</sup> July 2022**

2.15 The financial statements presented in Appendix 2 are based on the Reforecast Budget 1 position which takes cognisance of known movements from the approved 2022 budget shown in Appendix 3.

2.16 Based on their financial statements to 31st July 2022, members will wish to note the LLP is reporting a year-to-date accounting profit of £0.091m, which is a £0.058m favourable variance to the RF1 forecast profit of £0.033m. Appendix 2 provides further details regarding the LLP's financial position, as well as commentary to explain the key variances reported.

- 2.17 Although the contract provides scope for the Council to receive dividends from this partnership agreement, the cumulative negative trading position evidenced in the balance sheet means the LLP has not yet had an opportunity to declare any dividends.
- 2.18 In return for satisfactory service delivery and effective financial performance through the LLP, Amey Local Government Limited is entitled to receive a management fee which comprises both fixed and variable elements and is partially linked to level of works delivered through the contract. However, the payment of the management fee is dependent upon generation of cumulative profits and given the LLP currently has cumulative net liabilities, the management committee has agreed that no management fee is payable for 2022.

### **Overall Financial Standing – Balance Sheet as at 31<sup>st</sup> July 2022**

- 2.19 Appendix 3 provides key balances to give members an update on the overall financial standing of the company, as at 31st July 2022, along with the previous year's comparator figures. Key balances and indicators worthy of specific note include:
- a. As a result of previous year losses, the company has cumulative net liabilities of (£6.016m), an improvement on the previous year position of £0.167m which primarily reflects the 2021 accounting profit.
  - b. A comparison of the LLP's current assets to its current liabilities equates to a net current asset of £1.988m and a current ratio of 2.03. A ratio of less than 1 is generally an indication of an organisation having insufficient resources to meet its obligations. therefore in this instance 2.03 indicates that the LLP has a strong current asset position. However as detailed in section 2.17 (d) the company has a significant long term liability balance resulting in the net liability position overall.
  - c. The cumulative losses over a number of years have had a material impact on cash balances therefore cash should continue to be closely monitored to ensure the LLP can meet its obligations in terms of salaries, creditors and HMRC payments etc. The LLP have current cash forecasts of £1.199m.
  - d. The LLP has a long-term liability balance of (£8.004m), which predominantly reflects loan support (£6,252m) provided by the parent company Amey LG to enable the LLP to continue delivering services. Currently, there are no expectations that any additional loan support will be required in 2022. In recognising the LLP is largely dependent upon the support received from the parent company, officers from Financial Solutions regularly obtain assurances from the LLP and Amey LG regarding their continued loan support.

### **Approved Budget 2022**

- 2.20 In line with Amey group timelines, the 2022 approved budget had been prepared by the LLP, and indicates a budgeted accounting surplus position of £0.559m on turnover of £17.606m. Based on APS budget, works from the Council represent around 87% of annual anticipated net income. Appendix 4 provides further details on the approved budget and commentary to explain the key movements.
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### **3. Measures of success**

- 3.1 These reports are intended to give Members an insight into how the LLP is performing and where it is supporting delivery or adding value to the council's priorities.

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### **4. Supporting documentation**

- 4.1 The following appendices support this report:-

Appendix 1	Performance Indicators & Outcomes
Appendix 2	Financial Performance as at 31 July 2022
Appendix 3	Overall Financial Standing as at 31 July 2022
Appendix 4	Approved Budget – 2022



**Andrew McPherson**  
**Head of Regulatory Services & Waste Solutions**

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**5. Impacts ( <http://connect/report-template-guidance> )**

<p><b>5.1 Public Sector Equality Duty and Fairer Scotland Duty</b> Does the report contain information that has an impact as a result of the Public Sector Equality Duty and/or Fairer Scotland Duty? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p> <p>If Yes, has an assessment been carried out and published on the council's website? <a href="https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments">https://www.northlanarkshire.gov.uk/your-community/equalities/equality-and-fairer-scotland-duty-impact-assessments</a> Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p><b>5.2 Financial impact</b> Does the report contain any financial impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant financial impacts have been discussed and agreed with Financial Solutions? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p><b>5.3 HR policy impact</b> Does the report contain any HR policy or procedure impacts? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant HR impacts have been discussed and agreed with People and Organisational Development? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p><b>5.4 Legal impact</b> Does the report contain any legal impacts (such as general legal matters, statutory considerations (including employment law considerations), or new legislation)? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, have all relevant legal impacts have been discussed and agreed with Legal and Democratic Solutions? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>
<p><b>5.5 Data protection impact</b> Does the report / project / practice contain or involve the processing of personal data? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, is the processing of this personal data likely to result in a high risk to the data subject? Yes <input type="checkbox"/> No <input type="checkbox"/> If Yes, has a Data Protection Impact Assessment (DPIA) been carried out and e-mailed to <a href="mailto:dataprotection@northlan.gov.uk">dataprotection@northlan.gov.uk</a> Yes <input type="checkbox"/> No <input type="checkbox"/></p>
<p><b>5.6 Technology / Digital impact</b> Does the report contain information that has an impact on either technology, digital transformation, service redesign / business change processes, data management, or connectivity / broadband / Wi-Fi? Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> If Yes, please provide a brief summary of the impact?</p>

Where the impact identifies a requirement for technology, has an assessment been carried out (or scheduled) by the Enterprise Architecture Governance Group (EAGG)?

Yes  No

**5.7 Environmental / Carbon impact**

Does the report / project / practice contain information that has an impact on any environmental or carbon matters?

Yes  No

If Yes, please provide a brief summary of the impact?

**5.8 Communications impact**

Does the report contain any information that has an impact on the council's communications activities?

Yes  No

If Yes, please provide a brief summary of the impact?

**5.9 Risk impact**

Is there a risk impact?

Yes  No

If Yes, please provide a brief summary of the key risks and potential impacts, highlighting where the risk(s) are assessed and recorded (e.g. Corporate or Service or Project Risk Registers), and how they are managed?

## Performance

Service Area	Target Outcome/Purpose	2021/22 Actual	2022/23 Target	2022/23 Actual	Comments
Improve economic opportunities and outcomes					
OBJECTIVE: Improve infrastructure to help current and incoming businesses to grow and create employment, help current and incoming businesses to grow and create employment					
Street Lighting Activities	To enable vulnerable people to feel safe in their local area	97.91%	95%	97.50	This performance target includes measures related to: Works Outstanding, Works Quality, Dispute Resolution, Dark Street Lamps & Works Registration Compliance (SRWR).
Roads Works Activities	Contribute to the long-term economic sustainability of North Lanarkshire	90.02%	95%	93.57	This performance target includes measures related to: Works Outstanding, Works Quality, Dispute Resolution & Road Works Registration Compliance (SRWR).
General Performance	Contribute to the long-term economic sustainability of North Lanarkshire	90.78%	95%	Not available	This performance target includes: Reinstatement Compliance, Remedial Works Compliance, Prompt Payment to Suppliers, Public Complaints & Health and Safety Compliance.
OBJECTIVE: : Improving North Lanarkshire's resource base					
BVES efficiencies	To positively support the partnership, deliver efficiencies to the Schedule of Rates payable via the works agreement	£277,697.59 (2019 BVES)	N/A	No longer applies to contract	There is no target for BVES as this is calculated as a percentage of annual spend. The BVES is paid to NLC annually (based on calendar year spend).

Street Lighting Activities – Performance has remained like previous year and exceeds the minimum target of 95%.

Road Works Activities and General Performance – Performance has improved recently and is slightly below the target of 95% however this does not pose any real concerns and we continue to work with APS to meet the set targets.

BVES efficiencies – The value of BVES returned to the council has reduced slightly when compared to previous years this is a result of the BVES only being applicable to part year. It should be noted that the contract is now within the three-year extension period and as such BVES no longer applies, this therefore results in a loss of income to the council and a reduction in investment in road maintenance as a result which could have been in the region of £313,000 based on the average throughout the contract, although this varies depending on the annual spend through the contract.

## Appendix 2

### Amey Public Services LLP

#### Financial Performance as at 31 July 2022

Income & expenditure	2022 Annual Forecast (RF1)  £m	2022 Year to Date			2021 Provisional Outturn  £m	Commentary
		Revised Forecast (RF1) £m	Actual £m	Variance £m		
Income from NLC	16.898	10.459	10.851	0.392	8.951	Revenue & capital funding
Strategy WIP (net of provision)	0.454	0.454	0.454	0.000	2.134	Write down strategy to 2021
Other 3rd party income	1.068	0.700	0.700	0.000	0.440	Other clients inc. other local authorities
<b>Total Income</b>	<b>18.420</b>	<b>11.614</b>	<b>12.006</b>	<b>0.392</b>	<b>11.525</b>	Additional income due to increased NLC capital works and support to Amey group works
<b>Expenditure;</b>						
Employee costs	(7.392)	(4.446)	(3.949)	0.496	(3.486)	Reduced employee costs
Sub-contractor costs	(2.343)	(1.878)	(1.969)	(0.091)	(2.123)	Increased costs due to utilising sub-contractors for increased works undertaken
Materials	(3.710)	(2.631)	(3.052)	(0.421)	(3.057)	Increased costs associated with sourcing of materials and inflation
Plant & Vehicle costs	(3.520)	(2.157)	(2.470)	(0.313)	(2.036)	Increased plant hire costs to support increased works undertaken
Property, Communications & Other	(0.777)	(0.470)	(0.474)	(0.004)	(0.337)	
<b>Total resources expended</b>	<b>(17.742)</b>	<b>(11.581)</b>	<b>(11.915)</b>	<b>(0.334)</b>	<b>(11.039)</b>	
<b>Trading profit/(loss)</b>	<b>0.679</b>	<b>0.032</b>	<b>0.091</b>	<b>0.058</b>	<b>0.486</b>	

## Appendix 3

### Amey Public Services LLP

#### Overall Financial Standing - Balance Sheet as at 31 July 2022

Balances/ Indicator	2022 YTD Actual £m	Commentary	2021 £m	2022 Movement £m
Stock	0.516	Primarily materials and salt	0.547	(0.031)
Trade Debtors	0.076	Predominately inter-company balances	0.091	(0.015)
Accrued Debtors inc. prepayments	2.482	Predominantly work in progress, VAT and inter-compaany balances	1.787	0.695
Trade Creditors	(0.803)	Material balance which Amey aim to pay within agreed terms of 60 days	(0.577)	(0.226)
Other Creditors inc. VAT & other taxes	(1.125)	Accruals and deferred income	(1.560)	0.434
Cash/ Bank	0.842		0.895	(0.053)
<b>Net Current Assets/ (Liabilities)</b>	<b>1.988</b>		<b>1.184</b>	<b>0.805</b>
Long term Loans	(8.004)	Predominantly parent company loan of £6.252m and payroll costs to group of £1.753m.	(7.367)	(0.638)
Contract Loss Provision	0.000		0.000	0.000
<b>Net Asset / (Liabilities)</b>	<b>(6.016)</b>		<b>(6.183)</b>	<b>0.167</b>

## Appendix 4

### Amey Public Services LLP

#### Approved Budget - 2022

Income & expenditure	2021 Annual Forecast (RF1)	2022 Budget	Movement 2022 v 2021	Commentary	2021 Provisional Outturn
	£m	£m	£m		£m
Income from NLC	14.180	14.568	0	Revenue & capital funding	8.951
Strategy WIP (net of provision)	1.875	0.750	(1)	Write down strategy to 2024	2.134
Other 3rd party income	0.844	2.287	1	Other clients inc. other local authorities	0.440
<b>Total Income</b>	<b>16.899</b>	<b>17.606</b>	<b>0.706</b>		<b>11.525</b>
<b>Expenditure;</b>					
Employee costs	(6.118)	(8.352)	(2.235)	Decreased staffing costs reflecting utilisation to deliver agreed programmes of works combined with a reduction relating to reclassification of vehicle costs	(3.486)
Sub-contractor costs	(1.149)	(0.914)	0.235	Decreased expenditure due to reduced utilisation of sub-contractors on contract works	(2.123)
Materials	(5.274)	(4.062)	1.212	Decreased expenditure due to profile/mix of programmes of works for year	(3.057)
Plant & Vehicle costs	(3.164)	(3.011)	0.153	Increased expenditure on plant and vehicles maintenance	(2.036)
Property, Communications & Other	(0.699)	(0.707)	(0.009)	Minor movement	(0.337)
<b>Total resources expended</b>	<b>(16.403)</b>	<b>(17.047)</b>	<b>(0.644)</b>		<b>(11.039)</b>
<b>Trading profit/(loss)</b>	<b>0.496</b>	<b>0.559</b>	<b>0.062</b>		<b>0.486</b>
Contract Provisions	0.606	0.000	(0.606)	Contract provisions fully accounted for in P&L	0.000
<b>Net profit/(loss)</b>	<b>1.102</b>	<b>0.559</b>	<b>(0.544)</b>		<b>0.486</b>