

To: POLICY AND RESOURCES (FINANCE AND CUSTOMER SERVICES) SUB-COMMITTEE		Subject: <b>REVENUE MONITORING REPORT</b>  <b>TRADING OPERATIONS/PPP</b>  <b>PERIOD 01.04.07 – 01.02.08</b> <b>(PERIOD 11)</b>
From: HEAD OF FINANCIAL SERVICES		
Date: 20 FEBRUARY 2008	Ref: TH/RM	

## 1. Purpose of Report

1.1. This report advises Committee on the overall financial position of the Environmental Services Trading Accounts and the expected return from the Public Private Partnerships based on the period 1<sup>st</sup> April 2007 to 1<sup>st</sup> February 2008. Appendix 1 highlights actual surplus / deficit to date and projected outturn, with major outturn variances being highlighted and explained.

## 2. Executive Summary of Financial Position

2.1. The projected surplus position remains consistent with budget as previously reported. The Service is projecting trading account surpluses of £968k. In addition PPP income is anticipated to be £2.702m, providing a combined income total of £3.67m.

## 3. Corporate Review of Expenditure

3.1. The Council review of “non-essential” expenditure remains an integral element of the Councils financial strategy. As a direct consequence of this request, Trading Account functions continue to engage in pro-active reviews of immediate spending requirements.

3.2. Previous reports to Committee identified that implementing job evaluation would cost approximately £13.4 million by 2007/2008. The Council previously agreed a funding framework amounting to £9.4 million to assist Services in part-funding the early years’ job evaluation costs, and this is reflected within 2007/2008 budget. However, all costs over and above this funding framework are to be met by Services through reviews of their individual service priorities.

For Trading Operations the impact of Job Evaluation during 2007/08 is estimated to be £1.022 million. The implementation of the single status agreement may also have an adverse impact on the Trading Activities. The additional annual leave day awarded to NLC employees will increase costs within trading activities by approximately £84,000 during the current financial year. However, there is scope to partially reduce costs through savings in car mileage allowances. Continued management action will be taken throughout the remainder of the year to offset additional burdens and maintain a balanced budget position. Details of identified actions are described in paragraph 5 below.

## 4. Explanation of Major Out-Turn Variances

4.1. Appendix 1 details Trading Activity and PPP income performance against budget. A summary of the budgeted and projected position is highlighted in table 1 overleaf.

## 4.2. Financial Overview

<i>Service Division</i>	<i>Budgeted Surplus (£s)</i>	<i>Projected Surplus (£s)</i>	<i>Analysis</i>
Cleansing	123,230	123,230	A number of compensating income and expenditure variances exist within each Trading Activity.  The total surplus is on target to be achieved.
Transport	75,948	75,948	
Building Cleaning	85,905	85,905	
Parks	369,448	369,448	
Catering	313,092	313,092	
PPP Income	2,702,000	2,702,000	PPP income is on target.
<b>Totals</b>	<b>3,669,623</b>	<b>3,669,623</b>	

## 5. Service Efficiency Measures

### 5.1. Cleansing Efficiency Measures

During the current financial year vacancy levels / new appointments have been managed and reviewed pending the outcome of ongoing structure reviews. Further labour cost efficiencies are expected due to changing work patterns at weekends and public holidays. Transport costs are also being reduced through utilisation of more efficient vehicles and routes, whilst consumable expenditure (bins, equipment etc) continues to be minimised, generating further savings.

### 5.2. Transport Efficiency Measures

During the current financial year vacancy levels / new appointments have been managed and reviewed pending the outcome of ongoing structure reviews. Sickness Absence levels are also being controlled and monitored as per Council procedures. A management review of Work Shop resources and practices is ensuring more efficient and productive use of facilities.

### 5.3. Building Cleaning Efficiency Measures

Productivity levels are increasing throughout the Council estate. The working year for all new school based cleaning employees has been reduced by five days following a managerial review of cleaning specifications. This option is also available to current employees on a voluntary basis. Management have also introduced self cover for sickness absence in all premises with four or more employees.

### 5.4. Parks Efficiency Measures

During the current financial year vacancy levels / new appointments have been managed and reviewed pending the outcome of ongoing structure reviews. Plant and machinery are being utilised more efficiently with only urgent replacements being sought.

### 5.5. Catering Efficiency Measures

Various marketing and promotional activities are being implemented to generate income growth within the Service. The working year for all new employees has been reduced by five days following managerial review. Vacancy levels / new appointments have also been managed and reviewed pending the outcome of ongoing structure reviews.

## **6. PPP Income**

### **6.1. Both Saltire and ARNLs Annual Accounts run to December each year.**

Saltire anticipate that their profit and dividend levels to December 2007 will be similar to the previous year.

Indications from ARNL's draft annual accounts to December 2007 highlight that their pre-tax profits will be £551k, in comparison to £1.1m the previous year. The reasons for the reduction in profitability include a downturn in the availability of external 3rd party works, rising raw material & fuel costs and revaluation of outstanding debts.

As a consequence it is anticipated that the resultant dividend payments distributed to both their parent company and the Council will be reduced in comparison to 2006.

However the likely reduction in dividend payments from ARNL has been offset by increased volume and efficiency improvement discounts from the PPP companies during the first three quarters of the financial year. Historically turnover levels for each of the PPP companies is highest during the period January to March and the position will continue to be closely monitored until financial year-end.

## **7. Recommendations**

### **7.1. It is recommended that the Committee note the content of this report.**



**Head of Financial Services**

**NORTH LANARKSHIRE COUNCIL**  
**TRADING ACCOUNT/PPP FINANCIAL POSITION STATEMENT**  
**1 APRIL 2007 TO 01 FEBRUARY 2008 (11 ACCOUNTING PERIODS)**

TRADING ACCOUNT/PPP	ANNUAL BUDGETED SURPLUS	YEAR TO DATE BUDGETED SURPLUS	ACTUAL SURPLUS TO 1ST FEBRUARY (P11)	PROJECTED OUTTURN SURPLUS (P11)	PROJECTED OUTTURN VARIANCE (P11)
<b>COMMUNITY SERVICES TRADING ACCOUNT</b>	£	£	£	£	£
CLEANSING TRADING ACCOUNT	123,230	1,730,804	2,294,945	123,230	0
PARKS TRADING ACCOUNT	369,448	316,472	339,358	369,448	0
TRANSPORT TRADING ACCOUNT	75,948	119,326	384,834	75,948	0
BUILDING CLEANING TRADING ACCOUNT	85,905	461,450	391,857	85,905	0
CATERING TRADING ACCOUNT	313,092	164,864	120,882	313,092	0
<b>TOTAL TRADING ACCOUNT SURPLUS</b>	<b>967,623</b>	<b>2,792,916</b>	<b>3,531,876</b>	<b>967,623</b>	<b>0</b>
<b>PPP CONTRIBUTIONS</b>					
GENERAL FUND	1,519,000	933,472	933,472	1,519,000	0
CHIEF EXECUTIVE	788,000	484,250	484,250	788,000	0
HOUSING & SOCIAL WORK SERVICES	50,000	30,727	30,727	50,000	0
ENVIRONMENTAL SERVICES	200,000	122,906	122,906	200,000	0
CORPORATE SERVICES	145,000	89,107	89,107	145,000	0
<b>TOTAL PPP CONTRIBUTIONS</b>	<b>2,702,000</b>	<b>1,660,461</b>	<b>1,660,461</b>	<b>2,702,000</b>	<b>0</b>
<b>TOTAL TRADING ACCOUNT/PPP SURPLUS</b>	<b>3,669,623</b>	<b>4,453,377</b>	<b>5,192,337</b>	<b>3,669,623</b>	<b>0</b>