

**NORTH LANARKSHIRE COUNCIL
REPORT**

To: POLICY AND RESOURCES (FINANCE AND CUSTOMER SERVICES) SUB-COMMITTEE		Subject: REVENUE MONITORING REPORT 01.04.11 – 09.12.11 TRADING ACCOUNTS/PPP
From: HEAD OF FINANCIAL SERVICES		
Date: 05 th January 2012	Ref: KH/FR	

1. Purpose of Report

1.1. This report advises committee on the overall financial position of Environmental Services Trading Accounts plus the expected return from the Public Private Partnerships for the financial year to 31st March 2012. Major outturn variances are highlighted and explained.

2. Summary of Financial Position

2.1. The Trading Accounts currently forecasts a year-end surplus of £1,160,683, which is £177,264 higher than the budgeted surplus. This increase in overall Trading surpluses reflects the reallocation of the projected underspend within Environmental Services' support function, combined with £50,000 of employee cost savings from accelerated 2012-2013 efficiency savings within Building Cleaning.

2.2. The budgeted income of £1.650m relating to the Non-Housing Repairs and Maintenance contract with Morrison Scotland LLP is dependent on a minimum turnover of £26.3m (equivalent of 6.28%) going through the contract. Although Housing & Social Work services recently obtained approval to transfer £2.5m from housing repairs to capital, they have confirmed there will be sufficient turnover within the Morrison Scotland LLP service to achieve the budgeted income contribution of £1.650m.

3. Risks and Uncertainty

3.1. Although unprecedented levels of savings and uncertainty surrounding the current economic climate make it challenging to provide Services within existing budgetary provision, there are currently no significant risks within Trading Accounts or PPP income levels likely to impact upon the overall financial position of the Council. This position will continue to be reviewed during the remainder of the year.

4. Major Variations from Budget

4.1. A summary of the major variances projected at year-end regarding individual operations is outlined below, with key points regarding outturn highlighted in paragraphs 4.2 to 4.4 overleaf.

<i>Service Division</i>	<i>Budgeted Surplus (£s)</i>	<i>Projected Surplus (£)</i>	<i>Analysis</i>
Waste	£123,230	£162,648	Each Trading account is projecting an underspend in Internal Service Overheads resulting in an increased surplus total of £127,264. In Addition, £50,000 of restructuring savings within Building Cleaning
Land	£378,547	£409,537	
Fleet Operations	£75,948	£90,914	
Building Cleaning	£85,905	£149,048	
Catering	£319,789	£348,536	
PPP Income	£1,650,000	£1,650,000	On target
Totals	£2,633,419	£2,810,683	£177,264 additional surplus

4.2. Trading Accounts – Employee Costs

- 4.2.1. Trading Accounts have a combined total of 1,699 FTE employees with a corresponding employee budget of £37,811,660. This incorporates a staff turnover target of £1,193,680 (3.16%) equivalent to 57 FTE's.
- 4.2.2. At period 9 the Trading accounts have 86.4 FTE vacancies, with expected savings of £1,596,535. In overall terms therefore, budgeted turnover is being achieved through management assessment of necessity to fill posts. The Catering operation presently has a minor shortfall against budgeted turnover (current vacancies being on lower grades than anticipated), but acceleration of 2012-13 workforce deployment proposals combined with managed staff levels is projected to result in overall employee savings of £387,000.
- 4.2.3. Additional savings of £600,000 are also envisaged from early progression of Land Management and Transport 2012-13 workforce deployment proposals. Also within Land Management Trading are anticipated savings of £498,000, arising from the delayed recruitment to seasonal and weekend posts.
- 4.2.4. The overall gross savings in employee costs are marginally reduced by additional staffing resources required to meet service requirements such as delays in implementing the Periodic Clean saving within schools. The net savings of £ £1,537,932 projected within trading employee costs are currently supporting the operational issues outlined within paragraph 4.3 below.

4.3. Trading Accounts – Non-Employee Costs and Income

- 4.3.1. Income from catering operations is projected to under-recover by around £781,000 with the major variations being the delayed re-opening of Motherwell Concert Hall & Theatre and reduced demand within the civic and leisure catering facilities (£442,000). A combination of increasing free meal entitlement and meal prices is also seeing school meal income under-recovering by around £287,000. This under-recovery is partially offset by the impact of a realignment of civic and leisure staff, a lower requirement for food ingredients (£278,000), and the catering staff vacancies noted in 4.2.2 above. The service will continue to monitor and review activity to inform any additional management action required.
- 4.3.2. Overall there are expected Transport cost overspends of £795,000 within Fleet Operations with price increases in additional hire charges (£275,000), materials (£204,000), replacement tyres (£161,000), fuel (£62,000), additional work (£46,000), insurance (£36,000), and internal hires (£11,000) being contributing factors. These are partially offset by reduced leasing charges (£485,000) as a result of a number of leases ending. Since this expenditure is incurred on behalf of Client Services, they receive regular updates regarding their transport charges to assist them with their planning and monitoring arrangements.

5. Recommendations

- 5.1. Members are requested to note the contents of this report.



Head of Financial Services

NORTH LANARKSHIRE COUNCIL
TRADING ACCOUNTS/PPP FINANCIAL POSITION STATEMENT
1 APRIL 2011 TO 9 DECEMBER 2011 (9 ACCOUNTING PERIODS)

TRADING ACCOUNTS/PPP	ANNUAL BUDGETED SURPLUS	YEAR TO DATE BUDGETED SURPLUS	ACTUAL SURPLUS TO 9th DECEMBER (P9)	PROVISIONAL OUTTURN SURPLUS (P9)	PROVISIONAL OUTTURN VARIANCE (P9)
<u>ENVIRONMENTAL SERVICES TRADING ACCOUNTS</u>	£	£	£	£	£
WASTE MANAGEMENT SERVICES TRADING ACCOUNT	123,230	85,781	112,061	162,648	39,418
LAND MANAGEMENT TRADING ACCOUNT	378,547	277,331	286,085	409,537	30,990
FLEET OPERATIONS TRADING ACCOUNT	75,948	(65,539)	(405,490)	90,914	14,966
BUILDING CLEANING TRADING ACCOUNT	85,905	123,820	556,806	149,048	63,143
CATERING TRADING ACCOUNT	319,789	(827,268)	(847,698)	348,536	28,747
TOTAL TRADING ACCOUNT SURPLUS	983,419	(405,875)	(298,236)	1,160,683	177,264
<u>PPP CONTRIBUTIONS</u>					
GENERAL FUND	1,650,000	1,142,308	1,142,308	1,650,000	0
TOTAL PPP CONTRIBUTIONS	1,650,000	1,142,308	1,142,308	1,650,000	0
TOTAL TRADING ACCOUNT/PPP SURPLUS	2,633,419	736,433	844,072	2,810,683	177,264