

## REPORT

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE	Subject: TRADING OPERATIONS/PPP SUMMARY POSITION TO 31 <sup>st</sup> MARCH 2005 PROVISIONSAL OUTTURN
From: DIRECTOR OF FINANCE	
Date: 11 <sup>th</sup> May 2005	Ref. AC/JH/P13

**1. Introduction**

- 1.1 This report summarises the provisional financial position of the Trading Account's and the expected return from the Public Private Partnerships, for the period 1<sup>st</sup> April 2004 to 31st March 2005.
- 1.2 At the time of preparing the report a number of year-end reconciliations have still to be finalised such as creditors and debtors accruals, which together with the final apportionment of central costs, may adjust the final surplus position of the Trading Accounts.

**2. Financial Summary****2.1 Cleansing**

- 2.1.1 The provisional outturn at period 13 indicates that the Cleansing operation will achieve a surplus of £123,503, which is £4,702 less than budget. During the year there have been a number of issues managed however due to expenditure pressures late in the financial year it has not been possible to take corrective action therefore the budgeted surplus has not been fully met.
- 2.1.2 Within the section there has been increased gulley emptying at Auchinlea as a result of weather conditions. An overspend on fridge disposals as a result of higher than anticipated cost and frequency and also increased expenditure on replacement of wheeled bins, purchases of dog fouling bins and other purchases for street sweeping activity. There has also been an overspend on Transport and Plant Costs due to additional vehicle requirements, repairs and fuel price increases.
- 2.1.2 These overspends are offset by an underspend in Employee Costs due to vacancies which have existed throughout the year. There has also been an over-recovery of income mainly due to increased street cleaning of £158,000 resulting from additional work within town centres and a night shift squad that responds to out of hours emergencies. In addition there has been £42,000 income from the sale of paper for recycling.
- 2.1.3 Overall, however, the additional cost pressures as noted above have outweighed the higher income levels which has resulted in a downturn in profit levels of £4,702.

## **2.2 Transport**

- 2.2.1 The provisional outturn at period 13 indicates that the Transport operation will achieve a surplus of £1,377, which is £46,381 less than budget. During the year a number of issues have been managed within the section however due to expenditure pressures late in the financial year it has not been possible to take corrective action therefore the budgeted surplus has not been fully met.
- 2.2.2 Within this operation, Property costs are projected to be £201,000 overspent mainly due to expenditure to improve security arrangements at Bellshill Complex e.g CCTV and boundary fencing. Supplies and Services and Transport and Plant costs are also projected to be overspent due to increased demand for external hires and therefore there is a corresponding increase in fuel and repairs to external hires. Fuel prices have also increased.
- 2.2.2 These overspends are offset by additional income as a result of increased fleet numbers during the year and increased external hires and fuel as mentioned above and are mainly recovered through income which is being recharged to the Cleansing operation as outlined above (para 2.1).
- 2.2.3 Overall however the additional cost pressures as noted above have outweighed the higher income levels which has resulted in a downturn in profit levels of £46,381.

## **2.3 Building Cleaning**

- 2.3.1 The provisional outturn at period 13 indicates that the Building Cleaning operation will achieve a surplus of £97,431, which is £63,623 higher than budget. However within this outturn Employee Costs are projected to be £189,000 overspent as a result of increased demand for the service.
- 2.3.2 This will be offset by a corresponding over-recovery in income mainly from Education and Social Work departments. This is primarily due to the expansion of nursery premises and additional cleaning requirements due to the extensive buildings works currently in progress in Education together with the expansion of day care for the elderly in Social Work as a result of the community care programme.
- 2.3.3 Overall the Building Cleaning operation will return increased profit levels of £63,623.

## **2.4 Sport**

- 2.4.1 The Sport operation has returned a surplus of £72,802 against a budgeted surplus of £34,420. This result includes income losses attributable to the closure for refurbishment of the Aquatec and Tryst Sports Centre, as well as additional plant and machinery and leasing charges in relation to the investment in these and other facilities.
- 2.4.2 As a direct result of the extra volume of customers, additional gym instructors and receptionists were required, putting the employee cost budget under pressure. This was however controlled through management action including a review of existing staff deployment and producing a year-end saving of £36,653.
- 2.4.3 The out-turn also takes account of large increases in gas charges and additionally a £63,000 backdated bill for a football pavilion.

2.4.4 Overall the cost pressures have been offset by the enhanced income levels resulting from the continued success of the Access NL Scheme, resulting in an increased profit of £38,382.

## **2.5 Parks**

2.5.1 The provisional outturn at period 13 indicates that the Parks operation will achieve a surplus of £444,200, which is £57,660 higher than budget. However within this section there have been a number of issues managed. The section has dealt with additional works requests for example the BNSF environmental improvement project at Carfin and extended Weed Infestation programme requested by Planning and Environment. These additional work requests have a corresponding increase in income. There has also been increased overtime as a result of inclement weather conditions requiring catch up work to complete the programme of scheduled work. There has also been a decrease in purchases for schools project due to its extending into next year.

2.5.2 In addition, the operation has experienced a rise in non-routine and project work within Grounds Maintenance as a result of the Commercial Development Officers proactive efforts to generate new business. This has increased the costs of the operation but is recovered through income from the relevant departments.

2.5.3 Overall the Parks operation have achieved increased profit levels of £57,660.

## **2.6 Catering**

2.6.1 The provisional outturn at period 13 indicates that the Catering operation will achieve a surplus of £182,964, which is £8,124 less than budget. Employee Costs are £104,000 underspent due to vacancies and delays in appointments as each employee has to be vetted by Disclosure Scotland. This underspend has been offset by a number of overspends within various headings. These include vending royalty payments to secondary schools and the costs associated with the plan to form a computerised network across 102 schools, which will allow financial data to be processed more efficiently.

2.6.2 Income is projected to be £317,000 over-recovered, this is due to income received from Education to allow the department to purchase marketing materials for the promotion of the Hungry For Success initiative.

## **2.7 PPP's**

2.7.1 The PPP's will over recover their income target by £337,000. This is due to a combination of higher than anticipated dividends and increased volume of work processed in the final quarter of the year.

## **2.8 Summary**

2.8.1 The actual position and projections for each area of operation are attached.

**3 Recommendation**

3.1 The Committee is asked to note the content of this report.



**Director of Finance**

*For further information, please contact Janet Haugh on tel. ext. 2092*

**NORTH LANARKSHIRE COUNCIL  
TRADING ACCOUNT/PPP FINANCIAL POSITION STATEMENT  
1 APRIL 2004 TO 31 MARCH 2005 (13 ACCOUNTING PERIODS)**

TRADING ACCOUNT/PPP	ANNUAL BUDGETED SURPLUS	PROJECTED OUTTURN SURPLUS (P13)	PROJECTED OUTTURN VARIANCE (P13)
<b>COMMUNITY SERVICES TRADING ACCOUNTS</b>	£	£	£
CLEANSING TRADING ACCOUNT	128,205	123,503	(4,702)
TRANSPORT TRADING ACCOUNT	47,758	1,377	(46,381)
BUILDING CLEANING TRADING ACCOUNT	33,808	97,431	63,623
SPORT & LEISURE MGT TRADING ACCOUNT	34,420	72,802	38,382
PARKS TRADING ACCOUNT	386,540	444,200	57,660
CATERING TRADING ACCOUNT	191,088	182,964	(8,124)
<b>TOTAL TRADING ACCOUNT SURPLUS</b>	<b>821,819</b>	<b>922,277</b>	<b>100,458</b>
<b><u>PPP CONTRIBUTIONS</u></b>			
GENERAL FUND	1,519,000	1,856,000	337,000
CHIEF EXECUTIVE	218,000	218,000	0
HOUSING & PROPERTY	150,000	150,000	0
PLANNING & ENVIRONMENT	200,000	200,000	0
<b>TOTAL PPP CONTRIBUTIONS</b>	<b>2,087,000</b>	<b>2,424,000</b>	<b>337,000</b>
<b>TOTAL TRADING ACCOUNT/PPP SURPLUS</b>	<b>2,908,819</b>	<b>3,346,277</b>	<b>437,458</b>