

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE	Subject: TRADING OPERATIONS/PPP SUMMARY POSITION
From: DIRECTOR OF FINANCE	TO 16th DECEMBER 2005
Date: 29 <sup>TH</sup> DEC 2005	Ref. AC/JH/P9

## 1. Introduction

1.1 This report summarises the financial position of the Trading Accounts and the expected return from the Public Private Partnerships, for the period 1<sup>st</sup> April 2005 to 16th December 2005.

## 2. Financial Summary

### 2.1 Cleansing

2.1.1 The Cleansing operation is projecting a year-end surplus of £140,542, which is £12,076 greater than budget. This increased surplus is due to a rebate of £28,000 in relation to water charges following a pilot review of metered water charges by Scottish Water. This is partially offset by additional spend on property and water rates £16,000. Within this projection there are also a number of compensating variances, which reflect the current operation of the service.

2.1.2 Expenditure associated with diverting waste from landfill, (and therefore funded under the Strategic Waste Fund), is resulting in property costs expenditure being £84,000 lower than budget. This is, however, offset by increased expenditure due to landfill tax £72,500, property and water rates £16,000 and gas and electricity £17,000.

2.1.3 There has been increased expenditure on the disposal of waste from road sweeping machines as a result of changes required by SEPA. Also transport and plant costs are projected to be £282,000 over budget mainly due to internal transport requirements and the increased fuel prices. Also due to delays in filling vacant posts Employee Costs are projected to be £199,000 less than budget. This is helping to manage the cost pressures within the section.

### 2.2 Transport

2.2.1 The Transport operation is projecting a year-end surplus of £71,964, which is in line with budget. However, discussions are ongoing with the Social Work Department and Design Services regarding a potential reduction in their future requirement for vehicles. At present there are no financial implications for the Transport Trading account but this will be monitored closely as more detailed plans become available.

2.2.2 Employee costs are projected to be £79,000 less than budget due to delays in filling posts. This follows an increase in the budget during Period 5 to reflect the cost of additional mechanics as a result of the strategic waste fund within the Cleansing section. These posts are still in the process of being filled. As a consequence, there has been increased expenditure on payments to sub contractors in order to meet the demands of the service.

- 2.2.3 External hires are projected to be £209,000 higher than budget due to increased customer demand from both internal and external customers. Fuel is also forecast to be £379,000 higher than budget as a result of increased demand and the fact that average fuel prices have increased by 13.65%.
- 2.2.4 The net impact of the transport activities is resulting in a projected income over-recovery of £980,000, of which £720,000 relates to internal customers. The increased level of charges within internal departments are routinely notified to operational managers to allow for the effective monitoring of their services. In particular, the Community Services Department is the main recipient of these costs, which are associated with areas such as the Strategic Waste Fund project, which is being funded from the Scottish Executives SWF contributions.

### **2.3 Building Cleaning**

- 2.3.1 The Building Cleaning operation is continuing to project a year-end surplus of £83,808, which is in line with budget. However, there are a number of fluctuations, which reflect changes in operational circumstances.
- 2.3.2 The Building Cleaning operation is forecasting £244,901 increased expenditure in employee costs as a result of contract increases and additional work. This is offset by a corresponding increase 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 building 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.

### **2.4 Sport & Leisure Management**

- 2.4.1 The Sport operation is projecting a year-end surplus of £48,527, which is £12,000 greater than budget. The projection has improved by £111,963 since period 8. This is attributable to recently finalised NDR savings of £112,000.
- 2.4.2 These savings are however offset by the ongoing problem of increased energy costs, now forecast to exceed budget by £196,000. This is being managed by as previously reported a water rebate received from Scottish Water of £53,000, following a pilot review of metered water charges. In addition to this improvements in the control of employee costs have brought the projection back in line with budget.
- 2.4.3 This overall projection also reflects the success of the Sport Strategy which invested in facilities and launched the Access NL scheme and has resulted in increased expenditure on employee costs and administration costs. This increased expenditure is offset by corresponding income gains, currently estimated at £207,019 over budget. This projection also allows for the fact that the Tryst Sports Centre swimming pool is closed for refurbishment. It was anticipated that the loss of income would be offset by expenditure savings however due to the reopening being further delayed until January the department is taking management action to absorb any ongoing income shortfalls.

### **2.5 Parks**

- 2.5.1 The Parks operation is forecasting a year-end surplus of £363,739, which is in line with budget. However, within this projection there are a number of operational issues being managed, including the following:
- The identification of operational efficiencies within materials, sub-contractors, and plant and equipment have offset the cost implications associated with the increased fuel and hire costs.

- The Grasslands Bio-diversity scheme has been implemented to enhance wildlife within the area. This project involves restricting grass cuts on specified strips of grassland to enable wild flowers to grow and attract insect wildlife e.g butterflies.
- The Weed Control project initiated under the "StreetSmart" initiative is planned to be complete by the end of December and has seen significant aesthetic and operational improvements to the Council's road and footpath environment.
- The commencement of work to improve the efficiency of the service through the restructuring the flower and shrub beds, in conjunction with the reconfiguration of bed maintenance.

## **2.6 Catering**

2.6.1 The Catering operation is projecting a surplus of £191,088, which is in line with budget.

2.6.2 Within this projection Employee costs are £48,000 higher than budget due to the continuing roll out of breakfast clubs in primary schools. There is also a reduction in expenditure on supplies and services and also an under-recovery in income due to a decreased uptake of school meals mainly within secondary schools. This is a trend being experienced across the country and it is thought to be in response to the implementation of new, healthier menus. A number of initiatives are being put in place to counteract this decrease including reward schemes giving sports vouchers, cinema tickets etc, information screens within dining areas promoting healthy messages and health promoting committees within school. It is hoped that, following the award of prizes for November, this scheme will build momentum, which will result in an increase in the current uptake of meals. This area will continue to be monitored closely.

2.6.3 At period 9 the Social Work catering budget is projected to be on target. However, this will require to be closely monitored in future as a result of the new day opportunities programme.

## **2.7 PPP's**

2.7.1 As previously reported, it is anticipated that the Council will receive additional income totalling £130,000 (annual budget £2.287m) during the current financial year. This is primarily due to forecast dividend income from ARNL exceeding target levels. The outturn position will continue to be monitored during the remainder of the financial year, and in particular the value of winter works undertaken by the PPP companies will be assessed to determine the effect they have on company turnover and associated discounts returned to NLC.

## **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 16 DEC 2005 (09 ACCOUNTING PERIODS)**

TRADING ACCOUNT/PPP	ANNUAL BUDGETED SURPLUS	YEAR TO DATE BUDGETED SURPLUS	ACTUAL SURPLUS TO 16TH DEC (P9)	PROJECTED OUTTURN SURPLUS (P9)	PROJECTED OUTTURN VARIANCE (P9)
<b>COMMUNITY SERVICES TRADING ACCOUNTS</b>	£	£	£	£	£
CLEANSING TRADING ACCOUNT	128,466	299,447	335,215	140,542	12,076
TRANSPORT TRADING ACCOUNT	71,964	130,775	152,015	71,964	0
BUILDING CLEANING TRADING ACCOUNT	83,808	63,635	64,918	83,808	0
SPORT & LEISURE MGT TRADING ACCOUNT	36,527	25,288	28,946	48,527	12,000
PARKS TRADING ACCOUNT	363,736	263,433	247,582	363,736	0
CATERING TRADING ACCOUNT	191,088	38,853	6,249	191,088	0
<b>TOTAL TRADING ACCOUNT SURPLUS</b>	<b>875,589</b>	<b>821,431</b>	<b>834,925</b>	<b>899,665</b>	<b>24,076</b>
<b>PPP CONTRIBUTIONS</b>					
GENERAL FUND	1,519,000	762,169	762,169	1,649,000	130,000
CHIEF EXECUTIVE	418,000	209,735	209,735	418,000	0
HOUSING & PROPERTY	150,000	75,264	75,264	150,000	0
PLANNING & ENVIRONMENT	200,000	100,351	100,351	200,000	0
<b>TOTAL PPP CONTRIBUTIONS</b>	<b>2,287,000</b>	<b>1,147,519</b>	<b>1,147,519</b>	<b>2,417,000</b>	<b>130,000</b>
<b>TOTAL TRADING ACCOUNT/PPP SURPLUS</b>	<b>3,162,589</b>	<b>1,968,950</b>	<b>1,982,444</b>	<b>3,316,665</b>	<b>154,076</b>