

REPORT

To: POLICY AND RESOURCES (FINANCE)		Subject: TRADING OPERATIONS/PPP SUMMARY POSITION  TO 03rd FEBRUARY 2006
From: DIRECTOR OF FINANCE		
Date: 20 <sup>TH</sup> FEB 2006	Ref. AC/JH/P11	

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 3rd February 2006.

2. **Financial Summary**

2.1 **Cleansing**

2.1.1 The Cleansing operation is projecting a year-end surplus of £168,466, which is £40,000 greater than budget. This increased surplus is a direct result of the Departments review of areas of immediate non-essential expenditure towards the end of the financial year. 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 £157,000 lower than budget. This is, however, offset by increased expenditure due to landfill tax £50,000, property and water rates £16,000 and gas and electricity £14,000.

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. The removal of leachate from Auchinlea has also resulted in increased expenditure in this area. In addition, transport and plant costs are projected to be £242,000 over budget mainly due to internal transport requirements and the increased fuel prices. However, due to the effective management of vacancies, Employee Costs are projected to be £252,000 less than budget, which is helping to manage these 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 £87,000 less than budget due to the consequential delay in recruiting the additional mechanics funded from the Strategic Waste Fund. 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 ongoing requirements of the service.

2.2.3 External hires are projected to be £194,000 higher than budget due to increased customer demand from both internal and external customers. Fuel is also forecast to be £365,000

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 £937,000, of which £630,000 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 projecting a year-end surplus of £129,808, which is £46,000 greater than budget. This increased surplus is due to a management review of immediate spending requirements which can deliver short term efficiencies within the area of the supplies and services. However, within this projection there are a number of fluctuations, which reflect changes in operational circumstances.

2.3.2 The Building Cleaning operation is forecasting £243,000 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 levels of school decants related to the Education 2010 PPP project, 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, which as previously reported is attributable to recently finalised Non Domestic Rates 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 £162,000. 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 £235,590 over budget. This projection also allows for the fact that the Tryst Sports Centre swimming pool was closed for refurbishment. The pool reopened in January 2006 and the updated year-end projections indicate that the loss of income will be offset by expenditure savings as a result of management action.

### **2.5 Parks**

2.5.1 The Parks operation is forecasting a year-end surplus of £363,736, which is in line with budget. However, within this projection there are a number of operational issues being managed, including the following:

2.5.2 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.

- 2.5.3 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.
- 2.5.4 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.
- 2.5.5 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 £95,000 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 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 the recent momentum built up during the previous month will continue to address the pattern of a reduction in the uptake of school meals, 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 11 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. We have recently received draft dividend calculations from ARNL for the year-end December 2005 and this confirms our earlier forecast. MPC and Saltire also continue to perform in line with expectations.

## **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 2005 TO 03 FEB 2006 (11 ACCOUNTING PERIODS)**

TRADING ACCOUNT/PPP	ANNUAL BUDGETED SURPLUS	YEAR TO DATE BUDGETED SURPLUS	ACTUAL SURPLUS TO 03RD FEB (P11)	PROJECTED OUTTURN SURPLUS (P11)	PROJECTED OUTTURN VARIANCE (P11)
<b>COMMUNITY SERVICES TRADING ACCOUNTS</b>	£	£	£	£	£
CLEANSING TRADING ACCOUNT	128,466	542,425	618,027	168,466	40,000
TRANSPORT TRADING ACCOUNT	71,964	135,511	269,288	71,964	0
BUILDING CLEANING TRADING ACCOUNT	83,808	70,362	108,537	129,808	46,000
SPORT & LEISURE MGT TRADING ACCOUNT	36,527	30,907	63,522	48,527	12,000
PARKS TRADING ACCOUNT	363,736	294,759	271,930	363,736	0
CATERING TRADING ACCOUNT	191,088	115,653	81,445	191,088	0
<b>TOTAL TRADING ACCOUNT SURPLUS</b>	<b>875,589</b>	<b>1,189,617</b>	<b>1,412,749</b>	<b>973,589</b>	<b>98,000</b>
<b>PPP CONTRIBUTIONS</b>					
GENERAL FUND	1,519,000	1,140,585	1,140,585	1,649,000	130,000
CHIEF EXECUTIVE	418,000	313,867	313,867	418,000	0
HOUSING & PROPERTY	150,000	112,632	112,632	150,000	0
PLANNING & ENVIRONMENT	200,000	150,176	150,176	200,000	0
<b>TOTAL PPP CONTRIBUTIONS</b>	<b>2,287,000</b>	<b>1,717,260</b>	<b>1,717,260</b>	<b>2,417,000</b>	<b>130,000</b>
<b>TOTAL TRADING ACCOUNT/PPP SURPLUS</b>	<b>3,162,589</b>	<b>2,906,877</b>	<b>3,130,009</b>	<b>3,390,589</b>	<b>228,000</b>