

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE		Subject: TRADING OPERATIONS/PPP SUMMARY POSITION TO 21 JULY 2006
From: DIRECTOR OF FINANCE		
Date: 7 TH AUG 2006	Ref. AC/PH/P4	

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 April 2006 to 21 July 2006.

2. Financial Summary

- 2.1. At this stage in the financial year the department has reviewed the position of the Trading Accounts and year-end projections are in line with budget level. Within this projection there are a number of compensating variances, which reflect the current operation of the service and these are summarised in the undernoted sections.
- 2.2. It should also be noted that the projections do not include the likely impact of the cost of job evaluation on the respective trading positions. It is anticipated that there will be a substantial increase in costs arising from "green circle" employees primarily within the Building Cleaning and Catering areas which will ultimately impact on the profitability of each of these Trading activities. Management action will therefore be required to ensure that the Trading Operations remain competitive and that efficiencies are identified that will negate the effect of cost increases resulting from job evaluation.

2.3. Cleansing

- 2.3.1. The level of Cleansing activity continues to grow on environmental issues such as Streetsmart and Town Centre initiatives and as a result expenditure across the service has increased. This, together with a number of operational issues, has led to several variances, the greatest of which is in supplies and services where costs are projected to increase by £332,000. This is primarily due to the removal of Leachate from Auchinlea and the review of departmental procedures following the introduction of new SEPA guidelines, which has led to the disposal of waste collected by road sweeping machines being delivered by sub-contractors rather than being disposed of at Auchinlea.
- 2.3.2. Also included within the projections, is an increase of £152,000 in transports costs mainly due to fuel price increases being higher than inflation.
- 2.3.3. Throughout the service there are also a number of vacancies, which is leading to a reduction in employee costs of £197,000. However, appointments are being progressed by the Department, and it is expected that these posts will be filled over the next two months.
- 2.3.4. The reduction in expenditure referred to above, is being used to offset some of the cost increases being incurred by the service. However, the remaining cost pressures have led to a genuine increase in the cost of the service, which is fully recovered from client departments across the Council. The client departments are aware of their projected position, and reflect this within their departmental reports.

2.4. Transport

- 2.4.1. Within the Transport operation fuel is forecast to increase by £608,000 due to the maintenance of the high fuel prices which were experienced last year as well as current customer demand. The increased costs in fuel are fully recoverable from customers of which £216,000 relates to our external partner Amey Roads.
- 2.4.2. The overall result of various increased transport activities is a projected increased income of £969,000 of which £712,000 relates to internal council departments. The most significant internal customer is the Cleansing operation (as outlined in 2.2.1 above). These departments are notified on a regular basis of their charges in order that they can take full recognition of the implications of their decisions with regards to the use of transport services and their revenue budget positions.
- 2.4.3. Also reflected within the figures currently forecast is the impact of Design Services terminating 16 vehicles from the 28th of April. This has resulted in savings for the Housing department against fleet charges. However this will be offset by a one-off charge for the termination of lease agreements. For Transport the loss of income will be offset by some cost savings, that can immediately be realised. Management action will be taken to absorb the remaining £35,000 savings, which have still to be identified.

2.5. Building Cleaning

- 2.5.1. Within the Building Cleaning operation, employee costs are anticipated to continue the trends set in previous years with additional costs projected to be £274,000 due to an increase in the number of cleaning requests added to the contracts within Education, Housing and Property and Social Work departments. This will be offset by a corresponding over-recovery of income from these departments who receive the additional work. Income and expenditure budgets will be realigned to reflect the current level of service provided.

2.6. Sport & Leisure Management

- 2.6.1. The Sport operation is projecting significantly increased income levels due to the continued success of the Sports strategy. There have also been corresponding increases in expenditure throughout the service. As a direct consequence, employee costs are projected to increase by £126,000 as a result of the provision of top quality gym facilities and in delivering the numerous fitness classes now provided.
- 2.6.2. Property costs are also projected to increase by £89,000 by the year end due to the price increases in electricity and gas, however, this is being absorbed within the total Sport budget.

2.7. Parks

- 2.7.1. Within the Parks operation employee costs are projected to decrease by £137,000 due to turnover savings. These savings will be applied to offset additional cost pressures for example on fuel due to rising fuel prices and also landfill tax increases.
- 2.7.2. It is also worth noting the progress on the improved efficiency within Parks. Flowerbeds have now been altered to incorporate structural, perennial and annual plants. Annual bedding has been reduced to 25% of existing planted area. Work has also progressed on the revision of maintenance regimes governing shrub beds for implementation over the winter period.

2.8. Catering

- 2.8.1. At period 4 school meals numbers show a reduction of 2.84% in primary schools and a reduction of 13.69% in secondary schools compared to the previous year. All local authorities are having problems with the implementation of Hungry for Success in the secondary sector as the children have not been participating in the initiative. A number of initiatives have been launched to counteract this and was anticipated that the trend will follow that of primaries i.e. after an initial rejection of the healthier menus uptake would start to increase.
- 2.8.2. In view of the reduction in meal uptake in secondary schools, an action plan is proposed to ensure that the budget is met. Employee costs will have to be reduced and there will also be a review of food costs in areas such as free fruit provision and free bread provision. The costs of the breakfast club provision will also come under review. As reported in the Local Authority Catering Association conference 2006 the national drop in the numbers of secondary children eating school meals is having an economic effect on the viability of the service. This will be closely monitored throughout the year.

2.9. PPP's

- 2.9.1. At this point in the financial year, the performance of the PPP companies is in line with budget forecasts. There are no major variances to report at this time.

2.10. Summary

- 2.10.1. 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 2006 TO 21 JULY 2006 (4 ACCOUNTING PERIODS)

TRADING ACCOUNT/PPP	ANNUAL BUDGETED SURPLUS	YEAR TO DATE BUDGETED SURPLUS	ACTUAL SURPLUS TO 21ST JUL (P4)	PROJECTED OUTTURN SURPLUS (P4)	PROJECTED OUTTURN VARIANCE (P4)
COMMUNITY SERVICES TRADING ACCOUNTS	£	£	£	£	£
CLEANSING TRADING ACCOUNT	128,466	40,000	48,494	128,466	0
TRANSPORT TRADING ACCOUNT	76,952	76,462	9,996	76,952	0
BUILDING CLEANING TRADING ACCOUNT	85,903	31,051	34,945	85,903	0
SPORT & LEISURE MGT TRADING ACCOUNT	36,527	11,239	(39,405)	36,527	0
PARKS TRADING ACCOUNT	363,736	98,914	100,909	363,736	0
CATERING TRADING ACCOUNT	311,813	182,134	96,001	311,813	0
TOTAL TRADING ACCOUNT SURPLUS	1,003,397	439,800	250,940	1,003,397	0
PPP CONTRIBUTIONS					
GENERAL FUND	1,519,000	250,194	250,194	1,519,000	0
CHIEF EXECUTIVE	608,000	100,144	100,144	608,000	0
HOUSING & PROPERTY	195,000	32,118	32,118	195,000	0
PLANNING & ENVIRONMENT	200,000	32,942	32,942	200,000	0
TOTAL PPP CONTRIBUTIONS	2,522,000	415,399	415,399	2,522,000	0
TOTAL TRADING ACCOUNT/PPP SURPLUS	3,525,397	855,199	666,339	3,525,397	0