

REPORT

To: POLICY & RESOURCES (FINANCE) SUB COMMITTEE		Subject: TRADING OPERATIONS/PPP SUMMARY POSITION TO 10 NOVEMBER 2006
From: DIRECTOR OF FINANCE		
Date: 29 th November 2006	Ref. AC/PH/P8	

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 10 November 2006.

2. Financial Summary

2.1 At this stage in the financial year the department has reviewed the position of the Trading Accounts / PPP's and is projecting a year-end surplus of £3,567,464, which is £2,874 higher than budgeted. 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 The costs of job evaluation have now been updated following implementation on 6th November 2006. While this will have an impact on the direct costs of these Trading Activities, a funding package has been implemented which will negate the impact on the statutory requirement to achieve a break-even position. Trading Accounts budgets will now be updated to reflect the agreed funding arrangements. The impact of job evaluation into future years will require a review of these activities.

2.3 Cleansing

2.3.1 The Cleansing operation is currently projecting a year end surplus of £138,554, which is in line with budget. The most significant movement since my last report has been that additional charges have been identified for vehicle washes therefore the service is no longer reporting an increased surplus.

2.3.2 Within this projection there are a number of additional cost pressures that reflect the current operation of the service as highlighted below.

- A revision to the vehicle fleet, which has resulted in transport cost increases in both external hires and additional works. In addition, the fuel cost increases being experienced within the Transport section, has resulted in increased charges of £133,000 in the current year.
- As previously highlighted, new SEPA guidelines have resulted in a procedural change to the way in which we dispose of waste collected by road sweeping machines, resulting in increased costs of £71,000.

2.3.3 However in overall terms these additional cost pressures are offset by efficiencies in the management of vacancies and also an income over-recovery due to the impact of price increases on internal and external services applied from the 1st April 2006.

2.4 Transport

- 2.4.1 The Transport operation is projecting a significant increase in expenditure during 2006/07, due to a number of cost pressures currently being experienced. As a service provider however, the increased costs are fully recovered from customers, resulting in the Trading Operation currently projecting a surplus of £76,952, which is in line with the budgeted position.
- 2.4.2 Within the figures, fuel costs are currently projected to increase by £641,000. There are also cost increases as a result of increased customer demand and maintenance activity. Overall this results in a projected overspend of £1,138,000, which as previously indicated, will be recovered from our customers, including internal council departments (£758,000) and Amey Roads (£253,000).
- 2.4.3 Since the beginning of this financial year the Transport section has seen a reduction in some of its core activities, as outlined in previous reports, leading to an unexpected financial burden. Management action will continue to ensure that the trading account meets its target surplus position.

2.5 Building Cleaning

- 2.5.1 The Building Cleaning operation is currently forecasting a year-end surplus of £97,687, which is £11,784 greater than budget. This increased surplus is mainly due to minor savings within payments to subcontractors and machine repairs.
- 2.5.2 As previously reported within this projection there are also a number of additional cost pressures related to an increase in the number of cleaning requests added to the contracts within Education, Housing and Property and Social Work departments. However these will be fully met by an income over-recovery from the relevant departments. The departments have been notified of the projected recharges.

2.6 Sport & Leisure Management

- 2.6.1 As highlighted in my previous report the Sport Operation transferred to a Charitable Trust on the 16th September 2006. The figures contained within this report reflect all transactions for the period to the 15th September, and an estimation of the expenditure and income that remains outstanding for the same period. It should be noted that there have been no significant movements since last period however, it may take several months to finalise the position as transactions continue to be processed. The position will therefore, continue to be monitored.
- 2.6.2 The provisional outturn for the Sport & Leisure Management Trading Account is a surplus of £42,847, which is in line with the annual budgeted position.

2.7 Parks

- 2.7.1 The Parks operation is currently projecting a year end surplus of £378,547, which is in line with budget. Within this projection there are a number of compensating variances which reflect the current level of service provided.
- 2.7.2 Employee costs are projected to decrease by £218,000 due to the efficient management of vacancies. These savings will be applied to offset additional cost pressures for example on fuel due to rising fuel prices and also landfill tax increases.
- 2.7.3 It is also worth noting that budgeted efficiency savings have been realised in relation to the conversion of flowerbeds and will continue to be realised for shrub bed maintenance over the winter period. Annual bedding has already been reduced to 25% of the previous planted area and work continues to be progressed on the

maintenance regimes governing shrub-beds. These savings will be achieved through lower maintenance and production costs being required.

2.8 Catering

- 2.8.1 The Catering operation is currently reporting a year to date deficit of £9,546 (a decrease of £94,573 from budget). Management action is being taken to control this where possible, however the year-end position is projected to be a surplus of £310,877, which is still £8,910 less than budgeted.
- 2.8.2 This year-end projection is an improvement since my last report as discussions have taken place between the Directors of Community Services and Education, resulting in £63,000 being identified from the Hungry For Success budget, which can be used to fund breakfast clubs.
- 2.8.3 Work has also continued on an action plan to combat the reduction in meal uptake particularly in secondary schools. The school meal numbers continue to show a reduction in primary schools of 2.52% and 13.55% in secondary schools compared to the previous year.
- 2.8.4 As stated previously, the reduction in meals will have a significant impact on the financial position of the operation. However a review of employee costs has resulted in a saving of £100,000 being projected as a result of reducing additional employee hours. This will continue to be reviewed together with a comprehensive range of initiatives developed by the Joint School Meals working group.
- 2.8.5 In summary, the catering operation is currently projecting to have a decreased surplus of £8,910, however this will continue to 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.
- 2.9.2 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.

2.10 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 10 NOVEMBER 2006 (8 ACCOUNTING PERIODS)

TRADING ACCOUNT/PPP	ANNUAL BUDGETED SURPLUS	YEAR TO DATE BUDGETED SURPLUS	ACTUAL SURPLUS TO 10TH NOV (P8)	PROJECTED OUTTURN SURPLUS (P8)	PROJECTED OUTTURN VARIANCE (P8)
COMMUNITY SERVICES TRADING ACCOUNTS	£	£	£	£	£
CLEANSING TRADING ACCOUNT	138,554	80,046	115,978	138,554	0
TRANSPORT TRADING ACCOUNT	76,952	162,598	163,804	76,952	0
BUILDING CLEANING TRADING ACCOUNT	85,903	86,932	100,231	97,687	11,784
SPORT & LEISURE MGT TRADING ACCOUNT	42,847	42,847	42,847	42,847	0
PARKS TRADING ACCOUNT	378,547	238,596	327,532	378,547	0
CATERING TRADING ACCOUNT	319,787	85,028	(9,546)	310,877	(8,910)
TOTAL TRADING ACCOUNT SURPLUS	1,042,590	696,047	740,846	1,045,464	2,874
PPP CONTRIBUTIONS					
GENERAL FUND	1,519,000	520,425	520,425	1,519,000	0
CHIEF EXECUTIVE	608,000	208,307	208,307	608,000	0
HOUSING & PROPERTY	195,000	66,809	66,809	195,000	0
PLANNING & ENVIRONMENT	200,000	68,522	68,522	200,000	0
TOTAL PPP CONTRIBUTIONS	2,522,000	864,063	864,063	2,522,000	0
TOTAL TRADING ACCOUNT/PPP SURPLUS	3,564,590	1,560,110	1,604,909	3,567,464	2,874