

To: Finance, Resources and Customer Services Policy Board

On: 28th March 2018

Report by: Director of Finance & Resources

Heading: Voluntary trading operations review

1. Summary

- 1.1 The Council currently has four Trading Operations, which are all classed as 'voluntary trading operations'. The four trading operations are Building Services, Roads Services, Catering and Vehicle Maintenance.
 - 1.2 Under the Local Government in Scotland Act 2003, the Council has a statutory requirement to maintain separate accounts only for *significant* trading operations. The Council has in the past operated significant trading operations however since 2013/14 has operated only four on a voluntary basis.
 - 1.3 Following a review of this classification as voluntary trading operations in terms of the CIPFA/LASAAC guidance, the evolving approach to delivering best value, and Council restructures and service changes; it is recommended that the Council no longer operates these voluntary trading operations.
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2. Recommendations

- 2.1 It is recommended that the Policy Board:
 - a) Approve the review and agree that the current voluntary trading operations of Building Services, Roads Services, Catering and Vehicle Maintenance, be no longer classified as voluntary trading operations.

- b) Note the requirement for the Director of Environment & Communities to develop and establish revised reporting, performance management and quality monitoring arrangements for these services.

3. Background

- 3.1 In response to the requirements of the Local Government in Scotland Act 2003, the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) issued a guidance document in 2003 outlining a Best Value Approach to Trading Operations. The guidance set out recommendations for identifying a service as a trading operation and secondly on establishing whether the trading operation should be classified as 'significant'.
- 3.3 In 2003, based on the guidance issued by CIPFA and LASAAC, the Council classified 4 of its services as significant trading operations. The services were Building Services, Roads Services, Catering and Vehicle Maintenance. The Council also decided that voluntary trading operations would be maintained for Best Value purposes for the 4 services of Refuse Collection, Street Cleansing, Grounds Maintenance and Building Cleaning.
- 3.4 In 2008 a review of the classification of the Council's trading operations was carried out to reflect the significant service reviews that had been delivered within the trading operations since 2003 and also to reflect the changing environment in which the services operated.
- 3.5 Following the review, the Council agreed that four of the services were no longer to be classified as trading operations (Refuse Collection, Street Cleansing, Grounds Maintenance and Building Cleaning), two of the significant trading operations were to be reclassified as voluntary (Catering and Vehicle Maintenance) and two of the trading operations were to remain as 'significant' (Building Services and Roads Services).
- 3.6 A further review carried out in March 2014, on the test of significance determined that the Council's two significant trading operations (Building Services and Roads) both operate internally within the Council. The income to Building Services is generated from work undertaken in relation to the Housing Revenue Account, the Housing and Non-Housing Capital Investment Plans, and the Public Building Repairs service within Environment & Communities. Income to the Roads Services Trading Operation is generated from the Environment & Communities revenue budget and the Roads Capital Investment Programme.
- 3.7 It was therefore approved at the Finance & Resources Policy Board on 12th March 2014 that the classification of the Building Services and Roads Trading Operations be changed from 'significant' to 'voluntary' in line with the revised guidance issued by LASAAC.

4. REVIEW OF THE CLASSIFICATION OF TRADING OPERATIONS

- 4.1 Under the relevant LASAAC guidance, trading operations are not required where services are provided internally ie there is no external trading situations. A council can elect to operate a trading account voluntarily, but the specific duty is to secure Best Value through delivery of the service. A review of the four voluntary Trading Operations has been undertaken to consider their classification in terms of the guidance recognising that a number of service changes have been implemented in the 4 year period since the last review including some departmental restructures. These restructures have resulted in all four trading operations now sitting with the department of Environment & Communities, under the control of a single management team.
- 4.2 Analysis of the position across other Scottish local authorities has determined that there are 12 other councils in Scotland who still operate trading operations, however all of these appear to be classed as Significant Trading Operations. There is no other council which operates trading operations on a voluntary basis and reports on them in manner consistent with that required for statutory trading operations.
- 4.3 A summary of the review of the existing Trading Operations is as follows:-

Catering (Annual Turnover £5.6 million)

A voluntary trading account is maintained for Catering for management purposes only, with service reviews regularly carried out to assess efficiency and effectiveness.

It is proposed that: Catering should no longer be classified as a trading operation. Regular performance reporting on the quality, cost and customer satisfaction with the service will continue to be provided to members through the appropriate policy board for scrutiny purposes.

Vehicle Workshop (Annual Turnover £3.3 million)

A voluntary trading account is maintained for the Vehicle Workshop for management purposes only, with service reviews regularly carried out to assess efficiency and effectiveness.

It is proposed that: Vehicle Maintenance should no longer be classified as a trading operation. Regular performance reporting on the quality, cost and customer satisfaction with the service will continue to be provided to members through the appropriate policy board for scrutiny purposes. Recharging mechanisms will continue to ensure the appropriate allocation of costs to services in line with local authority accounting regulations

Roads Services (Annual Turnover £4.5 million)

A Council restructure in 2013 transferred the Roads & Transportation Service, including the Roads Trading service to the Environment & Communities department. A further departmental restructure merged the management of both the roads “client” function and the maintenance and delivery operation, resulting in service efficiencies.

A voluntary trading account is currently maintained for Roads Services Trading for management purposes only, with service reviews, including a

review of the integration of the Amenity Services workforce, regularly carried out to assess efficiencies and effectiveness.

It is proposed that: Roads Services should no longer be classified as a trading operation. Regular performance reporting on the quality, cost and customer satisfaction with the service will continue to be provided to members through the appropriate policy boards for scrutiny purposes. Appropriate information with regards works costs, allocation of recharges to capital improvement and revenue maintenance and contractor pricing will still be maintained.

Building Services (Annual Turnover £16 million)

A Council restructure in 2015 transferred both the Building Services trading operation and the public buildings repairs and maintenance function to a newly integrated Hard and Soft Facilities Management service within Environment & Communities. A voluntary trading account is maintained for Building Services Trading for management purposes only, with service reviews, including a review of the integration of Hard and Soft Facilities Management being carried out to assess efficiencies and effectiveness.

It is proposed that: Building Services should no longer be classified as a trading operation. Regular performance reporting on the quality, cost and customer satisfaction with the service will continue to be provided to members through the appropriate policy boards for scrutiny purposes. Recharging mechanisms will continue to ensure the appropriate allocation of costs to services (including the Housing Revenue Account) in line with local authority accounting regulations

Implications of the Report

1. **Financial** – The reclassification of the trading operations will require some budget adjustments between services. The overall impact will be cost neutral.
2. **HR & Organisational Development** – none
3. **Community Planning** – none
4. **Legal** – none
5. **Property/Assets** – none
6. **Information Technology** – none
7. **Equality & Human** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

- 8. **Health & Safety** - none
- 9. **Procurement** – none
- 10. **Risk** – none
- 11. **Privacy Impact** – none
- 12. **Cosla Policy Position** - none

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