

# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by the Chief Executive**

**Council - 26 April 2006**

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### **Subject: Trading Accounts Annual Review**

#### **1.1 Purpose**

- 1.1** The purpose of this report is to advise Members of the review undertaken of the Council's trading activities.

#### **2. Background**

- 2.1** The Local Government Scotland Act 2003 repealed the legislation governing compulsory competitive tendering (CCT) which led to the creation of direct labour organisations (DLOs) and direct service organisations (DSOs). In its place, the Act introduced the requirement for statutory trading accounts to be maintained for "significant trading operations".
- 2.2** From 2003/04 local authorities were required to identify which activities should be treated as trading accounts. An in-house model was developed for testing which Council services should fall into the category of 'statutory' trading operations.
- 2.3** The model questioned each service provided by the Council (not just those previously managed under the CCT legislation) on the following two criteria:
- (a) Is the service provided in a competitive environment?
  - (b) Is the service provided on a basis other than the straightforward recharge of cost?
- 2.4** If the service fails either of these criteria, no trading account is required. If it passes both, it should then be tested for significance. A significance level of £3.1million was calculated in 2003/04 (for year on year consistency, this monetary level remains consistent).
- 2.5** This identified 4 statutory trading operations, namely:
- (a) Catering
  - (b) Leisure
  - (c) Housing Repairs and Maintenance
  - (d) Estates Management
- 2.6** A similar review was undertaken in 2005 and the focus for the Estate Management Service was changed and is no longer reported or monitored as a statutory trading account.
- 2.7** The exercise has recently been carried out again for 2006/07.

### **3. Main Issues**

- 3.1** During the current review, all Council services were analysed against the criteria noted within 2.3 and 2.4 above, with two changes identified from the responses received from departments.
- 3.2** The Housing, Regeneration and Environmental Services response identified two services which were previously discounted due to no known competition/materiality. Both services now meet all criteria set within 2.3 and 2.4 above. The two services are:
- (a) The Grounds Maintenance and Street Cleaning operation is due to be tendered during 2006/2007. Street Cleaning had previously been below the materiality level as an individual service. As a joint trading operation, this is now considered to be provided within a competitive environment, provided on a basis other than straightforward recharge of cost and greater than the Council's materiality level.
  - (b) The Roads operation is currently undergoing a Best Value Service Review and it is likely that one of the recommendations coming out of the Review is that the service could be the subject of a voluntary tendering exercise. As a trading operation, this is now also considered to be provided within a competitive environment, provided on a basis other than straightforward recharge of cost and greater than the materiality level set.
- 3.3** The list of statutory trading account services identified through the review 2006 are therefore:
- (a) Catering
  - (b) Leisure
  - (c) Housing Repairs and Maintenance
  - (d) Grounds Maintenance and Street Cleansing
  - (e) Roads

### **4. Personnel Issues**

- 4.1** There are no personnel issues to note.

### **5. Financial Implications**

- 5.1** There are no financial implications to note.

### **6. Conclusions**

- 6.1** Through a recent review of Trading Accounts it has been necessary to recommend to Members a change in focus with two services from non-statutory trading operations to statutory trading operations.

## **7. Recommendations**

- 7.1** Members are asked to agree the additional two trading operations from 1 April 2006, resulting in the five proposed Statutory Trading Operations shown within 3.3.

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**Background Papers:** Departmental return submissions

**Wards Affected:** No Wards affected