

EAST RENFREWSHIRE COUNCILCabinet28 March 2024Report by Head of AccountancyTRADING UNDER BEST VALUE**PURPOSE OF REPORT**

1. The purpose of this report is to reconsider the classification of Council activities in terms of trading operations as defined by the Local Government in Scotland Act 2003 and as modified in June 2013 by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC).

**RECOMMENDATION**

2. The Cabinet is requested to approve that there are no trading services operated by the Council that should be classified as “significant”.

**BACKGROUND**

3. Following a report to the Cabinet on 23 March 2023 it was approved that the Council do not classify any of its trading operations as significant.

4. This decision was reached after taking account of the CIPFA/LASAAC guidance, which defined a trading operation as having to meet **both** the following criteria: -

- the service is provided in a 'competitive environment' - i.e. the user has discretion to use alternative providers.
- the service is provided on a basis other than straightforward recharge of cost - i.e. users take the service on the basis of quoted lump sums, fixed periodical charges or rates, or a combination of these.

5. Subsequent guidance has also been provided by LASAAC advising that trading operations may only apply to external trading and to those services which are not statutory.

6. It is appropriate that the Council reviews services with a view to considering Significant Trading Operations on an annual basis. This report reviews activities for the year ending 31 March 2024.

**MATTERS TO BE REVIEWED***Competitive Environment*

7. A competitive environment exists simply where there is a mature marketplace with a choice of alternative suppliers.

8. A competitive environment also exists where the user is a member of the public who has a choice of alternative providers for e.g. a local business which can choose who will collect its commercial waste.

9. **Conclusion - some services are operating in a competitive environment.**

*Recharge at Cost*

10. Within Environmental Services there are several activities that include a profit element within their service recharges e.g. Special Uplifts

11. **Conclusion - some services do not operate on a recharge of cost basis.**

*Basis of Charges*

12. The Council adopts a number of different methods of charging for services but not all of these are within the scope of trading operations.

- Some charges have no direct relationship to full cost recovery as they are specified by Scottish Government e.g. Development Management

13. **Conclusion - charging for services does not necessarily mean the service is trading.**

*Test of Significance*

14. In addition to the fundamental tests of competitive environment and recharge at cost, the guidance emphasises the importance of applying a test of significance. This test is important as it determines which trading operations require to maintain a statutory trading account, distinct from other non-statutory trading accounts which can be kept for internal purposes. The criteria for considering the test of significance should be set corporately and applied consistently across different trading operations although they should not be regarded as fixed and final as they will have to adapt to the changing circumstances of the Council. Suggested criteria in the guidance are:

- Financial criteria
  - Turnover of the trading operation should exceed 1% of the Council's gross operating expenditure.
  - Risk of financial loss to the authority being exposed in carrying out the operation
- Non Financial Criteria
  - Whether the trading account is important in demonstrating service improvement and the achievement of targets
  - Whether the authority is exposed to risk of service or reputational loss in carrying out the operation
  - Whether the service areas are likely to be of interest to key stakeholders and their needs.

15. The classification of whether a trading operation is regarded as significant will depend on whether the answers to these questions are mainly yes or no.

16. **Conclusion – there may be some services’ trading operations that are significant.**

**CONCLUSION**

17. Taking the above conclusions into account a detailed review of services is attached at Appendix A. In addition a summary of trading operations and the criteria used to determine if they are significant is shown at Appendix B.

18. The outcome of the review is that there are no trading operations classified as significant for statutory purposes, this is consistent with last year’s findings.

**RECOMMENDATION**

19. The Cabinet is requested to approve that there are no trading services operated by the Council that should be classified as “significant”.

**REPORT AUTHOR**

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NOTES	ACTIVITY	COMPETITIVE ENVIRONMENT YES/NO	RECHARGE AT MORE THAN COST YES/NO	APPLY TEST OF SIGNIFICANCE YES/NO	REASONS
EDUCATION	Early Learning & Childcare	Yes	No	No	External & Statutory
	Early Learning & Childcare Add On	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
	Primary	Yes	No	No	External & Statutory
	Secondary	Yes	No	No	External & Statutory
	Psychological Services	Yes	No	No	External & Statutory
	Instrumental Music Tuition	Yes	No	No	External, Non Statutory and recharged other than at cost.in a competitive environment  From August 2021 there have been no recharges for instrumental music tuition in line with Scottish Government Policy
	Additional Support for Learning	Yes	No	No	External & Statutory
	Janitors	Yes	No	No	Internal
	School Crossing Patrols	No	No	No	Internal
	School Transport	Yes	No	No	External & Statutory
	School Transport – Privilege Places	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
	School Meals	Yes	No	No	External, Statutory & Non Statutory and recharged other than at cost in a competitive environment
Although there are external providers in the sphere of Education none of the above services could realistically be described as trading					
	Cleaning	Yes	No	No	Internal (mainly)
	Catering	Yes	No	No	Internal ( mainly)

## TRADING OPERATIONS CRITERIA TEST

NOTES	ACTIVITY	COMPETITIVE ENVIRONMENT YES/NO	RECHARGE AT MORE THAN COST YES/NO	APPLY TEST OF SIGNIFICANCE YES/NO	REASONS
ENVIRONMENT	Roads Consultancy	Yes	Can Be Yes	Yes	External, Non Statutory and recharged other than at cost in a competitive environment
	Development Management	No	No	No	External & Statutory
	Building Standards	No	No	No	External & Statutory
	Development Planning	No	No	No	External & Statutory
	Roads Maintenance	Yes	No	No	Internal
	Burials	No	No	No	External & Statutory
	Garden Waste	No	No	No	External, Non Statutory and recharged other than at cost
	Commercial Waste	Yes	Yes	Yes	External, Non Statutory and recharged other than at cost in a competitive environment
	Special Uplifts	Yes	Yes	Yes	External, Non Statutory and recharged other than at cost in a competitive environment
	Refuse Collection	Yes	No	No	External & Statutory
	Street Cleaning	Yes	No	No	External & Statutory
	Grounds Maintenance	Yes	No	No	Internal
	Vehicle Maintenance	Yes	Yes	No	Internal
	Vehicle Management	Yes	Yes	No	Internal
	MOT Testing	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
	TAXI Inspections	No	No	No	External & Statutory
	Pest Control	Yes	Can be Yes	Yes	External, Non Statutory and recharged other than at cost in a competitive environment

## TRADING OPERATIONS CRITERIA TEST

ENVIRONMENT ( continued)	Environmental Health	No	No	No	External & Statutory
	Refuse Disposal	Yes	Minimal (Small Traders)	No	External & Statutory
	Technical Services	Yes	No	No	Internal
	Health and Safety	No	No	No	Internal
	Industrial Units	Yes	Yes	Yes	External, Non Statutory and recharged other than at cost in a competitive environment
	Council Officers	No	No	No	Internal

NOTES	ACTIVITY	COMPETITIVE ENVIRONMENT YES/NO	RECHARGE AT MORE THAN COST YES/NO	APPLY TEST OF SIGNIFICANCE YES/NO	REASONS
Business Operations & Partnership	Civil Contingencies	No	No	No	External & Statutory
	Policy	No	No	No	Internal
	Communications	Yes	No	No	Internal
	Human Resources	Yes	No	No	Internal
	ICT	Yes	No	No	Internal
	Revenues	Yes	No	No	Internal
	Printing	Yes	No	No	Internal
	Administration	No	No	No	Internal
	Registrar	Yes	No	No	External & Statutory
	Communities & Strategy	No	No	No	Internal
	Customer Services	No	No	No	Internal
	Equal Opportunities	No	No	No	Internal

## TRADING OPERATIONS CRITERIA TEST

Business Operations & Partnership (continued)	Support & Insight	No	No	No	Internal
	Community Safety (including Decriminalised Parking)	No	No	No	Internal

NOTES	ACTIVITY	COMPETITIVE ENVIRONMENT	RECHARGE AT MORE THAN COST	APPLY TEST OF SIGNIFICANCE	REASONS
		YES/NO	YES/NO	YES/NO	
CEO	Accountancy	Yes	No	No	Internal
	Licensing	No	No	No	External & Statutory
	Legal	Yes	No	No	Internal
	Internal Audit	Yes	No	No	Internal

HSCP	Care at Home	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
	Meals	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
	Lunch Clubs	No	No	No	External, Non Statutory and recharged other than at cost
	Community Alarms	No	No	No	External, Non Statutory and recharged other than at cost
	Residential Care	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
	Respite Charges	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
	Room Hire	Yes	No	No	External, Non Statutory and recharged other than at cost in a competitive environment
HOUSING	Housing Management	Yes	No	No	External & Statutory
	Commercial Properties	Yes	Yes	Yes	External, Non Statutory and recharged other than at cost in a competitive environment



## TRADING OPERATIONS CRITERIA TEST

HOUSING (continued)	Maintenance Services	Yes	No	No	<i>Internal</i>
	Factoring Services	No	No	No	<i>External, Non Statutory and recharged at cost</i>
	Repairs charged to homeowners	Yes	No	No	<i>External, Non Statutory and recharged at cost in a competitive environment</i>

<b>ACTIVITY</b>	<b>FINANCIAL TURNOVER</b>	<b>RISK OF EXPOSURE TO FINANCIAL LOSS</b>	<b>RISK OF REPUTATIONAL LOSS</b>	<b>INTEREST TO KEY STAKEHOLDERS</b>	<b>IMPORTANCE OF DEMONSTRATING SERVICE IMPROVEMENT</b>	<b>OUTCOME</b>
Roads Consultancy	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>
Pest Control	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>
Commercial Waste	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>
Special Uplifts	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>
Industrial Units	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>
Commercial Properties	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>