

EAST RENFREWSHIRE COUNCILCABINET24 March 2016Report by Chief Financial OfficerTRADING 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 17 February 2011 it was approved that the Council no longer 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 now been provided by LASAAC who have advised 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 2016.

**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.

- Charges for commercial and industrial properties are not related to cost as they are levied on a rental basis.
- 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”.

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**KEY WORDS**

Best Value, Trading Operation, Competitive environment

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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	Pre 5	Yes	No	No	External & Statutory
	Primary	Yes	No	No	External & Statutory
	Secondary	Yes	No	No	External & Statutory
	Psychological	Yes	No	No	External & Statutory
	Music Tuition	Yes	No	No	External, Non Statutory and recharged other than at cost
	Special Needs	Yes	No	No	External, Statutory and recharged other than at cost
	Wrap Around Care	Yes	No	No	External, Non Statutory and recharged other than at cost
	Janitors	No	No	No	Internal
	School Crossing Patrols	No	No	No	Internal
	School Transport	Yes	No	No	Internal (mainly)
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)

ENVIRONMENT	Roads Consultancy	Yes	Can Be Yes	Yes	External, Non Statutory and recharged other than at cost
	Property Enquiries	Yes	Can Be Yes	Yes	External, Non Statutory and recharged other than at cost
	Development Management	No	No	No	External & Statutory
	Commercial Properties	Yes	Yes	Yes	External, Non Statutory and recharged other than at cost

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 (continued)	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
	Commercial Waste	Yes	Yes	Yes	External, Non Statutory and recharged other than at cost
	Special Uplifts	Yes	Yes	Yes	External, Non Statutory and recharged other than at cost
	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
	Pest Control	Yes	Can be Yes	Yes	External, Non Statutory and recharged other than at cost
	Pitches Lets	Part	No	No	External, Non Statutory and recharged other than at cost
	Environmental Health	No	No	No	External & Statutory
	Refuse Disposal	Yes	Minimal (Small Traders)	No	External & Statutory
	Technical	Yes	No	No	Internal
	Health and Safety	No	No	No	Internal
CORPORATE & COMMUNITY	Emergency Planning	No	No	No	External & Statutory

## TRADING OPERATIONS CRITERIA TEST

NOTES	ACTIVITY	COMPETITIVE ENVIRONMENT YES/NO	RECHARGE AT MORE THAN COST YES/NO	APPLY TEST OF SIGNIFICANCE YES/NO	REASONS
CORPORATE & COMMUNITY(Cont)	Policy	No	No	No	Internal
	Public Relations	Yes	No	No	Internal
	Personnel	Yes	No	No	Internal
	E-Government	Yes	No	No	Internal
	Revenues	Yes	No	No	Internal
	Printing	Yes	No	No	Internal
	Administration	No	No	No	Internal
	Registrar	No	No	No	External & Statutory
	Community Facilities	No	No	No	Internal
	Community Planning	No	No	No	Internal
	Customer Services	No	No	No	Internal
	Equal Opportunities	No	No	No	Internal
	Community Learning and Development	No	No	No	Internal
	Community Safety (including Decriminalised Parking)	No	No	No	Internal
	Auchenback Resources Centre	No	No	No	Internal
CEO	Accountancy	Yes	No	No	Internal
	Licensing	No	No	No	External, Statutory and recharged at other than cost
	Legal	Yes	No	No	Internal

TRADING OPERATIONS CRITERIA TEST

NOTES	ACTIVITY	COMPETITIVE ENVIRONMENT YES/NO	RECHARGE AT MORE THAN COST YES/NO	APPLY TEST OF SIGNIFICANCE YES/NO	REASONS
CEO (Cont)	Internal Audit	Yes	No	No	<i>Internal</i>

CHCP	Care at Home	Yes	No	No	<i>External, Non Statutory and recharged other than at cost</i>
	Meals	Yes	No	No	<i>External, Non Statutory and recharged other than at cost</i>
	Lunch Clubs	No	No	No	<i>External, Non Statutory and recharged other than at cost</i>
	Community Alarms	No	No	No	<i>External, Non Statutory and recharged other than at cost</i>
	Residential Care	Yes	No	No	<i>External, Non Statutory and recharged other than at cost</i>
	Respite Charges	Yes	No	No	<i>External, Non Statutory and recharged other than at cost</i>

HOUSING	Housing Management	Yes	No	No	<i>External, Statutory and recharged at cost</i>
	Commercial Properties	Yes	No	No	<i>External, Non Statutory and recharged at cost</i>
	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</i>



ACTIVITY	FINANCIAL TURNOVER	RISK OF EXPOSURE TO FINANCIAL LOSS	RISK OF REPUTATIONAL LOSS	INTEREST TO KEY STAKEHOLDERS	IMPORTANCE OF DEMONSTRATING SERVICE IMPROVEMENT	OUTCOME
Roads Consultancy	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>
Property Enquiries	<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>
Commercial Properties	<i>No</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Low</i>	<i>Not Significant</i>

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