

ANGUS COUNCIL

RESOURCES AND CENTRAL SERVICES COMMITTEE

17 MARCH 2005

SUBJECT: TRADING ACCOUNTS - REVIEW

REPORT BY DIRECTOR OF FINANCE

Abstract: The Council is obliged to maintain statutory trading accounts for 'significant trading operations'. Certain activities were identified as coming within the ambit of the trading accounts regime and were reported on accordingly to this Committee in January 2004. This report is submitted following a review of both the activities which should be included as a trading account and also the turnover significance test.

1 RECOMMENDATION

1.1 It is recommended that:-

- The main significance test in connection with Trading Accounts be revised to 1% of net revenue expenditure; and
- The services/activities identified in this report at para 3.6 be classified as coming within the Trading Account regime with effect from the start of the financial year 2004/5.

2 INTRODUCTION

- 2.1 Section 10 of the Local Government in Scotland Act 2003 sets out the requirement for statutory trading accounts for 'significant trading operations'. Broadly speaking if an activity is being carried out in a competitive environment and if that activity is significant then it should be included as a trading account.
- 2.2 The main significance test that was applied last January related to the turnover of the activity vis-à-vis gross revenue expenditure as revealed by the Consolidated Revenue Account. The threshold set was 0.15% on £244m – some £366k.
- 2.3 It was decided in January 2004 that the following services should be subject to trading accounts:

Former CCT and non-defined services undertaken by the erstwhile Contract Services Department, i.e.

Vehicle Maintenance
Refuse Collection
Street Cleansing
Building Cleansing
Leisure Management
Refuse Disposal

Other Activities

Print Unit
Commercial Waste Collection

3 CURRENT POSITION

- 3.1 A review has been undertaken of services that should be subject to trading accounts and also of the significance test of turnover.
- 3.2 In terms of the significance test it is now judged that the 0.15% (see para 2.2 above) is too low and should be raised to 1% of net revenue expenditure. For these purposes, net revenue expenditure is the sum to be met from government grant and local taxpayers as shown in the latest Consolidated Revenue Account. Using the 2003/4 Accounts the threshold amount would be about £1.730m. A threshold of 1% of net revenue expenditure is more in line with the general pattern in other Scottish local authorities.
- 3.3 The review of services raised the following issues and the proposed way of dealing with these issues is stated:

Area	Trading Account Yes/No	REASON FOR EXCLUSION
The provision of industrial buildings and land	No	Market failure. Private sector provision insufficiently developed to respond to the economic development policy objectives of the Council.
Social Work provision of residential care and home care services	No	Market failure. Private sector provision insufficiently developed to be able to deliver comprehensive and robust services in meeting statutory obligations.
Training Services	No	De-minimus
Education portable equipment testing and ICT support	No	De-minimus
Arbroath Harbour	No	De-minimus
Print Unit	No	De-minimus
Commercial Waste	No	De-minimus
Pest Control	No	De-minimus
Certain coaching activity within Leisure Services	No	De-minimus

Property Enquiry Certificates	No	De-minimus

3.4 It should be clearly understood that despite the above-listed services not being classified as Trading Accounts, budgetary and other disciplines would apply. This is particularly relevant to the Print Unit and Commercial Waste activities which are being declassified as Trading Accounts.

3.5 From the above the Trading Accounts to be kept from 1st April 2004 are:

Vehicle Maintenance
 Refuse Collection
 Street Cleansing
 Building Cleansing
 Leisure Management
 Refuse Disposal

4 FINANCIAL IMPLICATIONS

4.1 There are no financial implications as such arising from this report. However there are obligations that attach to Trading Accounts, and these include the need to break even over a rolling 3 year period.

5 HUMAN RIGHTS IMPLICATIONS

5.1 There are no human rights implications arising from this report.

6 CONSULTATION

6.1 The Chief Executive and the Director of Law & Administration have been consulted in the preparation of this report

7 CONCLUSION

7.1 This report deals with the review of services/activities to be covered by the Trading Accounts regime. Various changes are proposed.

NOTE

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

JC/KF
 04/03/05
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