

Report

Report to:	Executive Committee
Date of Meeting:	1 May 2019
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Trading Services Financial Performance for Period 13 - 1 April 2018 to 1 March 2019 and Probable Outturn
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ provide information on the estimated surplus for each of the Council's Trading Operations
- ◆ provide information on the actual surplus as at 1 March 2019
- ◆ provide an update on the projected results for the financial year 2018/2019

2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the Trading Operations' outturn position, be noted;
- (2) that the surplus achieved to 1 March 2019 before transfers to reserves of £7.521 million, as detailed in Appendix A of the report, be noted;
- (3) that the surplus achieved to 1 March 2019 after transfers to reserves of £7.481 million, as detailed in Appendix B of the report, be noted; and
- (4) that the transfer of Fleet and Roads to the Community and Enterprise Resources budget and the transfer of Property Services to Housing and Technical Resources budget in 2019/2020 (Section 8), be approved.

3. Background

3.1. This is an overview report which will summarise the 2018/2019 forecast spend for the Council's Trading Operations to 31 March 2019 (section 6). This is known as the Probable Outturn position. The report shows this position before transfers to reserves and then after the proposed transfers to reserves. It will also provide details of the Trading Operations' Monitoring Position to 1 March 2019, compared with the budget for the same period (section 7).

4. Trading Operations Budget

4.1. As part of the budget for 2018/2019, an estimated target for Trading Operations' surpluses was set at £11.466 million. In the period to 9 November 2018, this was revised to £11.919 million. There were no further adjustments made in the period to 1 March 2019.

4.2. Details of the financial performance of each of the individual Trading Operations is provided in Appendices A and B to this report.

- 4.3. This budgeted surplus sum will continue to be taken as a minimum target for achievement by the Trading Operations. Effort will be maintained to maximise results during the remainder of this financial year.

5. Employee Implications

- 5.1. None.

6. Probable Outturn Forecast to 31 March 2019

- 6.1. As noted in the last report to this meeting (13 March 2019), the forecast outturn position to 31 March 2019 is an under recovery against surplus of £2.226 million before any transfers to reserves. This is shown in Appendix A.
- 6.2. A transfer to reserves of £0.040 million was approved in relation to the Fleet Trading Operation for the replacement of equipment in the depots. After taking this transfer into account the outturn position after transfers to reserves is an under recovery against surplus of £2.266 million, as shown in Appendix B.

7. Financial Implications – Revenue Monitoring Position 2018/2019

- 7.1. As at period 13 (1 March 2019), the actual surplus before transfers achieved by the Trading Operations totals £7.521 million. This represents an under recovery of £2.572 million against the phased budget. Of this under recovery, £1.361 million at period 13 relates to the Property Trading Operation due to timing of works.
- 7.2. £0.981 million relates to the Fleet Trading Operation due to expenditure on materials, external repairs and the timing of efficiencies and £0.230 million relates to the Roads Trading Operation. The Roads Trading Operation under recovery against surplus is higher than that reported as part of the probable exercise due to the use of external contractors as a result of turnover of staff, and also the timing of work on capital projects. The under recovery against surplus in Fleet and Roads is offset by an underspend in the Community and Enterprise Resources' budget, as shown in the Revenue Budget Monitoring Report for the period ended 1 March 2019.
- 7.3. The position at period 13 after transfers is a surplus of £7.481 million, an under recovery of £2.612 million.

8. 2019/2020 – Proposed Change in Status of Fleet, Roads and Property Services Trading Operations

- 8.1. In 2017/2018, following a review of the Trading Operations, the Executive Committee (28 June 2017) approved the removal the Grounds and Facilities Management Trading Operations, and their subsequent transfer to the Community and Enterprise Resources Client budget. At this point, the report stated that this approach would also be considered for the remaining 3 Trading Operations, Fleet, Roads and Property Services.
- 8.2. During 2018/2019, a review has taken place of these remaining Trading Operations. As a result of the review and through reviewing the technical guidance around what constitutes a statutory Trading Operation, it is proposed that the Fleet, Roads and Property Services are no longer regarded as Trading Operations, thus removing the requirement to separately report them as significant Trading Operations to Committee and in the Annual Accounts. There is also work ongoing which could potentially eliminate the current recharge process operated by these services going forward.

- 8.3. Whilst there are no direct financial or employee implications of the proposal, Fleet and Roads will transfer to the Community and Enterprise Resources budget and Property Services will transfer to the Housing and Technical Resources budget.
- 8.4. The Committee is being asked to approve this proposal, and if agreed, the changes will be implemented for financial year 2019/2020. A report will also be taken to the Financial Resources Scrutiny Forum on this.
- 8.5. Services continue to ensure best value and this decision does not change that.
- 9. Other Implications**
- 9.1. The main risk associated with the Trading Operations' Budgets is that there is a reduction in the surplus achieved. The risk has been assessed as low given the detailed budget management applied across the Trading Operations. The risk is managed through four weekly Budget Monitoring Meetings at which any variance is analysed. In addition, the probable outturn exercise ensures early warning for corrective action to be taken where appropriate.
- 9.2. There are no implications for sustainability in terms of the information contained in this report.
- 10. Equality Impact Assessment and Consultation Arrangements**
- 10.1. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and therefore no impact assessment is required.
- 7.2. There is also no requirement to undertake any consultation in terms of the information contained in this report.

Paul Manning
Executive Director (Finance and Corporate Resources)

11 March 2019

Link(s) to Council Values/Ambitions/Objectives

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Executive Committee, 13 March 2019

List of Background Papers

- ◆ Financial ledger and budget monitoring results to 1 March 2019

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report (BEFORE Transfers)

Period Ended 1 March 2019 (No.13)

Trading Operations

	Revenue Budget Surplus	Forecast Revenue Budget Surplus BEFORE Transfers	Forecast Variance BEFORE Transfers	Phased Budget (Surplus) at 01/03/19	Actual (Surplus) / Deficit at 01/03/19	Variance at 01/03/19	
Trading Service	£m	£m	£m	£m	£m	£m	
Fleet	(2.876)	(2.100)	(0.776)	(2.614)	(1.633)	(0.981)	under surplus
Roads	(4.639)	(4.614)	(0.025)	(4.119)	(3.889)	(0.230)	under surplus
Property Services	(4.404)	(2.979)	(1.425)	(3.360)	(1.999)	(1.361)	under surplus
Total	(11.919)	(9.693)	(2.226)	(10.093)	(7.521)	(2.572)	under surplus

SOUTH LANARKSHIRE COUNCIL

Revenue Budget Monitoring Report (AFTER Transfers)

Period Ended 1 March 2019 (No.13)

Trading Operations

	Revenue Budget Surplus	Forecast Revenue Budget Surplus AFTER Transfers	Forecast Variance AFTER Transfers	Phased Budget (Surplus) at 01/03/19	Actual (Surplus) / Deficit at 01/03/19	Variance at 01/03/19	
Trading Service	£m	£m	£m	£m	£m	£m	
Fleet	(2.876)	(2.060)	(0.816)	(2.614)	(1.593)	(1.021)	under surplus
Roads	(4.639)	(4.614)	(0.025)	(4.119)	(3.889)	(0.230)	under surplus
Property Services	(4.404)	(2.979)	(1.425)	(3.360)	(1.999)	(1.361)	under surplus
Total	(11.919)	(9.653)	(2.266)	(10.093)	(7.481)	(2.612)	under surplus