

EAST RENFREWSHIRE COUNCILCabinet10 March 2022Report 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 4 March 2021 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 2022.

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”.

REPORT AUTHOR

| | |
|------------------------|--|
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| Report Date: | 28 January 2022 |

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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 |
| | 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. From August 2021 there have been no recharges for music tuition in line with Scottish Government Policy |
| | Additional Support for Learning | Yes | No | No | External & Statutory |
| | Early Learning & Childcare Add On | 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 | External & Statutory (mainly) |
| | School Meals | Yes | No | No | External, Statutory & Non Statutory and recharged other than at cost |
| 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 |
| | Property Enquiries | Yes | Can be Yes | Yes | External, Non Statutory and recharged other than at cost |
| | 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 | Can be Yes | No | External, Non Statutory and recharged other than at cost |
| | 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 |
| | MOT Testing | Yes | No | No | External, Non Statutory and recharged other than at cost |
| | TAXI Inspections | No | No | No | External & Statutory |
| | Pest Control | Yes | Can be Yes | Yes | External, Non Statutory and recharged other than at cost |

TRADING OPERATIONS CRITERIA TEST

| | | | | | |
|--------------------------|----------------------|-----------|--------------------------------|-----------|---|
| ENVIRONMENT (continued) | Pitches Lets | Part | No | No | <i>External, Non Statutory and recharged other than at cost</i> |
| | Environmental Health | No | <i>No</i> | <i>No</i> | <i>External & Statutory</i> |
| | Refuse Disposal | Yes | <i>Minimal (Small Traders)</i> | <i>No</i> | <i>External & Statutory</i> |
| | Technical | Yes | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Health and Safety | <i>No</i> | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Industrial Units | Yes | Yes | Yes | <i>External, Non Statutory and recharged other than at cost</i> |
| | Council Officers | <i>No</i> | <i>No</i> | <i>No</i> | <i>Internal</i> |

| NOTES | ACTIVITY | COMPETITIVE ENVIRONMENT YES/NO | RECHARGE AT MORE THAN COST YES/NO | APPLY TEST OF SIGNIFICANCE YES/NO | REASONS |
|---|------------------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|
| Business Operations & Partnership (previously Corporate and Community) | Civil Contingencies | <i>No</i> | <i>No</i> | <i>No</i> | <i>External & Statutory</i> |
| | Policy | <i>No</i> | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Communications | Yes | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Human Resources | Yes | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | ICT | Yes | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Revenues | Yes | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Printing | Yes | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Administration | <i>No</i> | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Registrar | <i>No</i> | <i>No</i> | <i>No</i> | <i>External & Statutory</i> |
| | Communities & Strategy | <i>No</i> | <i>No</i> | <i>No</i> | <i>Internal</i> |
| | Customer Services | <i>No</i> | <i>No</i> | <i>No</i> | <i>Internal</i> |

TRADING OPERATIONS CRITERIA TEST

| | | | | | |
|---|---|----|----|----|----------|
| Business Operations & Partnership (previously Corporate and Community) (Continued) | Equal Opportunities | No | No | No | Internal |
| | Support & Insight | No | No | No | Internal |
| | Community Safety (including Decriminalised Parking) | No | No | No | Internal |
| | Auchenback Resources Centre | 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 |
| | Meals | Yes | No | No | External, Non Statutory and recharged other than at cost |
| | 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 |
| | Respite Charges | Yes | No | No | External, Non Statutory and recharged other than at cost |
| | | | | | |

TRADING OPERATIONS CRITERIA TEST

| | | | | | |
|---------|-------------------------------|-----|-----|-----|---|
| HOUSING | Housing Management | Yes | No | No | <i>External & Statutory</i> |
| | Commercial Properties | Yes | Yes | Yes | <i>External, Non Statutory and recharged other than 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> |

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| 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> |
| 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> |

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