

**REPORT TO: POLICY AND RESOURCES COMMITTEE ON 22 JUNE 2010**

**SUBJECT: SIGNIFICANT TRADING OPERATIONS**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

- 1.1 To review which of the Council's Services should be accounted for as Significant Trading Operations.
- 1.2 This Report is submitted to Committee in terms of Section A(8) of the Council's Administrative Scheme relating to monitoring of revenue expenditure against Budget.

**2. RECOMMENDATION**

- 2.1 **It is recommended that Committee agrees that Statutory Trading Accounts are maintained for the services detailed in APPENDIX 3.**

**3. BACKGROUND**

- 3.1 The Local Government in Scotland Act 2003 sets the requirement for Councils to maintain Statutory Trading Accounts for Significant Trading Operations. These operations should break even over a three year rolling period.
- 3.2 The Council should keep consideration of its services and whether they should be classified as Significant Trading Operations under review. The status of the Council's services was last reviewed by Policy and Resources Committee on 28<sup>th</sup> March 2007. At that Committee, it was agreed to maintain Significant Trading Operations for the following activities: Roads Maintenance, Building Services, Grounds Maintenance, and Fleet Services.
- 3.3 CIPFA Directors of Finance and LASAAC published a guidance document on how to identify trading operations and thereafter whether they are "significant". This guidance has been used in determining Moray Council's criteria for identifying trading operations and whether they are significant.

- 3.4 The guidance states that the determination of a trading operation is a matter for individual Councils but it should be based on consideration of whether a service meets both of the following criteria:
1. It is provided in a competitive environment, ie there is an alternative provider; and
  2. It is provided on a basis other than straightforward recharge of cost, ie users take the service on the basis of quoted lump sums, fixed periodical charges, rates or a combination of these.
- 3.5 All services delivered by the Council have been reviewed. The findings from the review have been placed on the Members Portal – see Significant Trading Operations background notes.
- 3.6 After assessing if services should be trading operations, the Council then has to define whether these operations are “significant”. The following criteria have been used for determining whether a trading operation is a significant trading operation:
3. The size of turnover of the trading operation relative to the Council’s net revenue budget. For this particular test a figure of 1% has been used to represent a significant level.
  4. The risk of financial loss to which the Council is exposed in carrying out the operation.
  5. The importance of the use of a trading account in demonstrating service improvement and achievement of targets for the operation.
  6. The risk of service or reputation loss to which the Council is exposed in carrying out the operation.
  7. The service areas likely to be of interest to the Council’s key stakeholders and their needs.

A full assessment of significance has been carried out for all trading operations with turnover in excess of 1% of the Council’s net Revenue Budget.

- 3.7 As a result of the assessment, it is recommended that statutory trading accounts should be maintained for those services listed in **APPENDIX 1**.

#### 4. **SUMMARY OF IMPLICATIONS**

(a) **Single Outcome Agreement/Service Improvement Plan**

This Report is consistent with the Corporate Development Plan commitment to Sound Management of Resources.

(b) **Policy and Legal**

There are no Policy and Legal implications.

(c) **Resources (Financial, Risks, Staffing and Property)**

Trading Accounts require to be maintained for Significant Trading Operations. These require to break even over a three year rolling period.

(d) **Consultations**

Directors and Heads of Service, Ian Bruce, Environmental Protection Manager and Bill Ross, Roads Maintenance Manager have been consulted in this preparation of this Report and their comments are included in **APPENDIX 2**.

#### 5. **CONCLUSION**

- 5.1 All Council services have been reviewed against the recommended criteria and the services proposed to be designated Significant Trading Operations listed in **APPENDIX 1**.

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Background Papers:  
Ref: LP/LJC/789276/789287/789284