



Glasgow City Council

Executive Committee

Report by Director of Financial Services

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TRADING OPERATIONS BUDGET MONITORING: PERIOD 10

Introduction

1. The attached statements provide details of trading operations financial performance for the period to 3 January 2007.

Approved Budget

2. There have been budget realignments during the period to reflect service reconfigurations.

Summary Position

3. Trading Operations in respect Facilities Services, Care and Community Services, Roads Maintenance, Ground Maintenance and Leisure Management are all now showing significant deficits. Trading operations in respect of Works of Maintenance and Investment (GHA and GCC) Refuse Collection, Street Cleansing and Fleet Management are all generating surpluses less than budgeted.

Reason

4. The implementation of the Workforce Pay and Benefits Review has resulted in over £13m of additional costs being charged to trading operations. In addition a further £2.5m has been paid in respect of equal pay compensation payments. The majority of these additional costs have been borne by the Facilities Services and Care and Community Services trading operations resulting in significant deficits. The Works of Maintenance and Investment GHA and GCC Trading Operations are showing an adverse variance mainly due to redundancy and strain on the fund costs.
5. In addition to the above a number of operational issues have arisen in respect of Facilities Services relating to school meals income and Care and Community Services relating to the hostels closure programme.

Action

6. As previously reported, the implementation of the Workforce Pay and Benefits Review has had a serious impact on the profitability of a number of trading operations. The basis of charging costs has now been confirmed and reflected within these reports. The Council is currently considering the appropriate approach for managing these costs in future years.

Forecast

7. It is anticipated that those trading operations showing a deficit due to the implementation of the Workforce Pay and Benefits Review will remain in deficit throughout the remainder of the year and are likely to show a deficit over the three year break even period.
8. Building Services trading operations have effectively finished trading for the year following the introduction of the Building Services LLP. It is anticipated that the shortfall in the reported surplus, excluding the impact of redundancy and strain on the fund costs, will be achieved in the latter half of the year by the LLP. The Director of Direct and Care Services continues to review his operations and restrict any adverse operational variance as far as possible. The remaining trading operations are anticipated to achieve a surplus after accounting for the impact of the Workforce Pay and Benefits Review.

Recommendation

9. The Executive Committee is asked to note the contents of the report and that this report and all detailed trading operations statements will be referred to the Financial Services Policy Development and Scrutiny Committee and the Parks and Facilities Policy Development and Scrutiny Committee automatically.

GLASGOW CITY COUNCIL
2006/07 REVENUE BUDGET : MONITORING REPORT
TRADING OPERATIONS

Summary Expenditure and Income as at Period 10

Revised Annual Net Surplus	TRADING OPERATION	Expenditure	Income	Gross Surplus	Appropriations	Net Surplus	Budgeted Net Surplus	Variance Over/(-)Under
£000		£000	£000	£000	£000	£000	£000	£000
	<u>BUILDING SERVICES</u>							
4,698	Works of Maintenance & Investment (GHA)	44,096	44,387	291	0	291	2,132	-1,841
1,694	Works of Maintenance & Investment (GCC)	18,058	18,116	58	0	58	545	-487
47	Works of New Construction	7,133	7,171	38	0	38	47	-9
	<u>DIRECT AND CARE SERVICES</u>							
736	Facilities Services	48,903	43,273	-5,630	43	-5,673	-412	-5,261
835	Care And Community Services	53,392	44,693	-8,699	0	-8,699	258	-8,957
	<u>ENVIRONMENTAL SERVICES</u>							
264	Refuse Collection	10,662	10,925	263	0	263	305	-42
591	Street Cleansing	10,949	11,708	759	0	759	773	-14
	<u>LAND SERVICES</u>							
169	Roads Maintenance	21,149	20,931	-218	0	-218	127	-345
182	Ground Maintenance	19,033	18,773	-260	0	-260	140	-400
537	Fleet Management	18,772	19,131	359	0	359	402	-43
	<u>CULTURAL AND LAND LEISURE SERVICES</u>							
131	Leisure Management	27,401	26,900	-501	0	-501	122	-623

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TRADING OPERATIONS
COST ANALYSIS SUMMARY**

PERIOD 10 - 1 APRIL 2006 TO 3 JANUARY 2007

Original Annual Budget	Approved Changes	Revised Budget	HEADING	CUMULATIVE TO DATE			
				Actual	Budgeted	Variance	
£000	£000	£000		£000	£000	£000	
215,715	988	216,703	Employee Costs	159,402	144,812	14,590	OVER
12,276	91	12,367	Premises Costs	8,671	8,624	47	OVER
44,270	84	44,354	Transport and Plant	32,034	30,536	1,498	OVER
96,954	2,017	98,971	Supplies and Services	59,937	54,751	5,186	OVER
4,462	123	4,585	Third Party Payments	1,248	1,535	-287	
0	0	0	Transfer Payments	0	0	0	
6,594	0	6,594	Capital Financing Costs	5,072	5,072	0	
17,487	-1,516	15,971	Allocations	9,426	9,834	-408	
446	0	446	Cost of use of Assets	286	286	0	
4,287	652	4,939	Central Administration	3,472	3,472	0	
402,491	2,439	404,930	GROSS EXPENDITURE	279,548	258,922	20,626	OVER
408,665	6,209	414,874	INCOME	266,008	263,404	2,604	
6,174	3,770	9,944	GROSS SURPLUS/(DEFICIT-)	-13,540	4,482	-18,022	
60	0	60	APPROPRIATIONS	43	43	0	
6,114	3,770	9,884	NET SURPLUS	-13,583	4,439	-18,022	