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ARGYLL & BUTE COUNCIL

STRATEGIC  
COMMITTEE

POLICY

OPERATIONAL SERVICES

22 February 2007

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## REMOVAL OF TRADING SERVICE STATUS FROM WASTE MANAGEMENT

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### 1. INTRODUCTION

- 1.1 This paper is to advise the Strategic Policy Committee (SPC) on the proposed removal of Trading Service status from the operation of the Waste Management.

### 2. RECOMMENDATIONS

- 2.1 The SPC are asked to approve the removal of a Trading Service status from the operation of Waste Management.

### 3. BACKGROUND

- 3.1 Operational Services has operated the Council's Waste Management Services as a Trading Service for the period 2004-2006. A financial surplus for Waste Management Service operations was returned in 2004/5 and 2005/6.
- 3.2 Operational Services is the current revenue budget holder. The operation of the Trading Service is laid out within Service Level Agreements between Department Clients and Operational Services. The cost of operating the Waste Management Service is made as a monthly charge to the Client Waste Collection and Street Sweeping budgets.
- 3.3 Audit Scotland in their 2005/06 Audit Report to Members of October 2006 questioned the justification of the Waste Management Trading Service structure, in its current form. Strategic Finance has subsequently undertaken an assessment of the criteria governing Trading Service operations, and has concluded that no requirement exists. The assessment is at Appendix 1.
- 3.4 Under the proposed change, responsibility for the operation and management of Waste Management Services will rest with Operational Services, who will hold the capital and revenue budgets relative to these facilities.

- 3.5 The removal of the Trading Service status will improve the efficiency of budget setting and monitoring processes. It will also facilitate the introduction of Streetscene, which will be outwith of trading services, whereby sections of the street sweeping service will form part of the new Streetscene Teams.

#### **4.0 IMPLICATIONS**

<b>Policy</b>	Responsibilities for the development of and the operation of Waste Management Services will remain as is.
<b>Financial</b>	Improvements in the efficiency of the budget setting & monitoring process Audit Scotland 2005/06 Audit Report to Members of October 2006 identified a requirement to review trading accounts.
<b>Personnel</b>	None
<b>Equality Impact Assessment</b>	None
<b>Legal</b>	None
<b>Community</b>	None

#### **5.0 APPENDIX**

**Appendix 1** Assessment of Trading Service Criteria – Waste Management

**Appendix 2** Assessment of Trading Service Criteria – Assessment Questions

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31 January 2007

Appendix 1 Assessment of Trading Service Criteria – Waste Management

SERVICE/ACTIVITY CODE	SERVICE/ACTIVITY DESCRIPTION	B1	B2	B3(i)	B3(ii)	B3(iii)	B3(iv)	B3	B4(i)	B4(ii)	B4(iii)	B4	Note 1 B	Note 2 C	3 or More YES D1-D5	Note 3 Is Trading Operation Significant
A70	Waste Collection - Client	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No
A80	Waste Disposal	No	No	No	Yes	No	No	No	No	No	No	No	No	No	No	No
A60	Street Sweeping - Client	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No
N51	TA - Waste Mang - Waste Collection	No	No	No	Yes	No	No	No	No	No	Yes	No	No	No	No	No
N52	TA - Waste Mang - Street Sweeping	No	No	No	No	No	No	No	No	No	No	No	No	No	No	No

Enter each service/activity combinations in a separate row.

Use a separate sheet for consolidations of service and activity combinations eg refuse collection and street cleaning together.

Enter YES/NO in response to each questions B1,B2,B3,B4 etc. and sub questions C2(i), C2(ii) and C2(iii).

Enter YES/NO in main B, C and D based on answers to B1-B4, C1- C3 and D1-D5.

Note 1 If B=YES consider Section C - basis of income. If B = NO then no further action - operation is not trading

Note 2 If C=YES then basis of income is other than straight recharge of costs and operation is trading operation - consider this of significance. If C = NO then no further action - operation is not trading

Note 3 If there are 3 or more Yes to D then the trading operation is significant. If there are 2 YES answers and the 3 NO answers are marginal then the trading operation is still significant. In all other cases the trading operation is not significant

**Appendix 2 Assessment of Trading Service Criteria – Waste Management – Assessment questions**

**B FOR ALL OPERATIONS**

**IS THE OPERATION CARRIED OUT IN A COMPETITIVE ENVIRONMENT?**

- |    |  |        |
|----|--|--------|
| B1 | Is the operation carried out under the terms of previous CCT contract?   | YES/NO |
| B2 | Is the operation subject to competitive tender?  | YES/NO |
| B3 | Does the operation compete in the open/external market?  | YES/NO |
|    | -(i) Do users (internal or external) have choice on who actually provides the service? YES/NO  |        |
|    | -(ii) Are there providers other than the Council? YES/NO   |        |
|    | -(iii) Is more than 50% of expenditure recovered from income secured in an open/external market? YES/NO  |        |
|    | -(iv) Does user choice cover who provides the operation in addition to quantity and quality? YES/NO  |        |
| B4 | Is the operation market tested, benchmarked, provided in partnership or otherwise structured that it is effectively provided in a competitive environment? | YES/NO |
|    | -(i) Do users (internal or external) have a choice on who is the provider?   | YES/NO |
|    | -(ii) Does the operation user have choice cover who provides the operation in addition to quantity and quality issues?                                     | YES/NO |
|    | -(iii) Are there providers other than the Councils?  | YES/NO |

If answer is YES to any of above 4 main questions, then operation is carried out in a competitive environment. In these cases consider the questions to section C to determine if the operation is a trading operation.

If the answer is NO to all of the above 4 questions, then the operation is not provided in a competitive environment and is not a trading operation.

Answers to the sub questions in B3 and B4 should be treated on a majority basis. If at least 50% is YES then the answer to the main question is a YES.

**C FOR OPERATIONS PROVIDED IN A COMPETITIVE ENVIRONMENT**

**IS THE OPERATION CARRIED OUT ON A BASIS OTHER THAN A STRAIGHT RECHARGE OF COST?**

- |    |   |        |
|----|---|--------|
| C1 | Is at least 50% of income set by reference to external market?  | YES/NO |
|    | -(i) Are unit rates based on tenders, market reviews or benchmarking tests? YES/NO                        |        |
|    | -(ii) Are there alternative providers whose price levels determine income rates for the operation? YES/NO |        |
| C2 | Does the operation carry a risk on the level of income for more than 50% of its income?                   | YES/NO |
|    | -(i) Is it possible for more or less than the full cost of the operation to be recharged to users? YES/NO |        |
|    | -(ii) Are income rates and/or levels set in advance of actual expenditure being known? YES/NO             |        |

- (iii) Are income rates fixed or variable during the year to reflect market conditions rather than expenditure levels?  
YES/NO

C3 Does income from users exceed 50% of gross expenditure? YES/NO  
 If the answer is YES to all 3 questions, then the operation is carried out on a basis other than straight recharge of cost. In this case the tests of significance should be applied.  
 If the answer is NO to any of the 3 questions then the operation is not carried out on a basis other than straight recharge of costs and is not a trading service.

#### **D TEST OF SIGNIFICANCE**

##### **ARE TRADING OPERATIONS SIGNIFICANT?**

- D1 Does the size of the turnover of the trading operation warrant separate accountability? YES/NO  
 - If turnover is in excess of 5% of net operating expenditure of the council then YES
- D2 Is there a risk of exposure to financial loss to the authority in carrying out the trading operation? YES/NO  
 - (i) Is there a history of loss/deficit/overspend for the service? YES/NO  
 - (ii) Does income from external parties exceed 25% of turnover of the trading operation? YES/NO
- D3 Is the trading operation important in demonstrating service improvement and the achievement of targets? YES/NO  
 - (i) Is the trading operation directly related to a statutory performance indicator? YES/NO  
 - (ii) Does the trading operation directly impact on a key performance target? YES/NO  
 - (iii) Does the trading operation have a significant number of improvements to achieve arising from best value review/service delivery review/external review?  
YES/NO
- D4 Is the Council exposed to the risk of service or reputation loss in carrying out the trading operation? YES/NO
- D5 Is the trading operation likely to be of interest to key stakeholders and their needs? YES/NO  
 - Does the trading operation provide a service directly to the public? YES/NO  
 - Is the trading operation central to partnership arrangements or delivery of key partnership objectives (eg community planning partnership, joint working with other public agencies)? YES/NO

If the answer to 3 or more of the above questions is YES then the trading operation is a significant trading operation. Where the answers to 2 of the above questions are YES then consider if the NO answers to the other 3 questions are marginal, if they are marginal then still consider the trading operation as a significant trading operation.