

## EAST AYRSHIRE COUNCIL

### COMMUNITY SERVICES COMMITTEE – 1 FEBRUARY 2006

#### REVIEW OF TRADING OPERATIONS

##### Report by Executive Director of Neighbourhood Services

#### 1. PURPOSE OF REPORT

- 1.1 To seek Committee approval to amend the Trading Status of the four DSOs within the remit of the Committee.

#### 2. DISCUSSION

- 2.1 In 1988 Compulsory Competitive Tendering was introduced by the Government as a means of securing efficiency, effectiveness and value for money. Contract specifications had to be written for all work to be carried out by certain prescribed functions therefore flexibility which had previously existed was reduced. Working parties were introduced which were not necessarily effective and Departments split into client contractor sections, which at times, led to considerable conflict. This may have resulted in an actual reduction in Service.
- 2.2 Until the introduction of the Local Government in Scotland Act 2003, there was little opportunity to carry out further structural changes and to remove some of the burdens which came with the introduction Compulsory Competitive Tendering. The Act combined with guidance from the Scottish Executive allowed Councils to move away from Compulsory Competitive Tendering provided that they could prove best value and therefore at the Community Services Committee in February 2004 a management restructure of Cleansing Services and the Outdoor Amenities Service was approved. These restructures effectively merged the client and contractor functions and as a result savings of over £200,000 were achieved. Similarly, areas of work which could have been construed as duplication such as supervision, maintenance of databases etc were dispensed with and much clearer reporting lines were introduced. In many respects this not only led to much more efficient management but also to a better service to the public since they were much closer to the person who would actually deliver the service. The service therefore became more responsible and accountable.
- 2.3 Leisure Management has always been regarded as being slightly different in Cumnock and Doon Valley District as it was below the *de minimus* level. The client and contractor split was therefore not so definitive and whilst

proper accounts and procedures were maintained the client and contractor operated within the same Department. This arrangement has continued within East Ayrshire Council and for operational reasons became one unit in 2004.

- 2.4 The opportunity has now been taken to further review the management arrangements for DSO functions in light of guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) and Local Authority (Scotland) Accounts Advisory Committee (LASAAC). Having regard to this guidance, it is proposed to amend the status on the existing DSOs and bring them within the general services budget. This will mean that the four DSOs will effectively be mainstreamed into the Department and no longer regarded as trading services. However, it is also proposed that management accounts and the same rigorous examination that exists at present be maintained. This brings a discipline which is to be expected for services of this nature.

In terms of competitiveness the revised arrangements of course will have to meet the challenges of Best Value and therefore benchmarking in its various forms such as through the statutory performance indicators, the informal networks and liaison with other authorities will continue. The services will also be part of the Best Value Service Review process which are being undertaken at the present time.

### **3. FINANCIAL IMPLICATIONS**

- 3.1 Nil.

### **4. LEGAL IMPLICATIONS**

- 4.1 Local Government in Scotland Act 2004

### **5. POLICY IMPLICATIONS**

- 5.1 The amendment to this trading status of the DSOs is in line with guidance issued by CIPFA/LASAAC and will assist in ensuring that the Council achieve best value from these services. The subject of this report has also been considered by the Corporate Management Team.

### **6. CONCLUSION**

- 6.1 It is felt that none of the four DSOs fall within the category of a significant trading operation and therefore it is prudent to review the way in which they are accounted for having regard to changes in legislation and accountancy guidelines. Having completed this exercise and having already amalgamated client and contractor functions throughout the

department in 2004, it is felt that the four DSOs can be effectively incorporated into the department and not treated as separate trading organisations although separate management accounts will be maintained.

## **7. RECOMMENDATIONS**

7.1 It is recommended that the Committee:-

- (i) agree to amend the status of the four DSOs falling within their remit and no longer regard them as trading operations with effect from 1<sup>st</sup> April 2006; and
- (ii) otherwise note the content of this report.

William Stafford  
**Executive Director of Neighbourhood Services**

WS/SD  
4 January 2006

### **LIST OF BACKGROUND PAPERS**

1. Local Government Scotland Act 2004

For further information on the contents of this report contact William Stafford, Executive Director of Neighbourhood Services on (01563) 576023.

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