

# EAST AYRSHIRE COUNCIL

EDUCATION COMMITTEE: 21 March 2006

## REVIEW OF TRADING OPERATIONS

### Report by Director of Educational & Social Services

#### 1. PURPOSE OF THE REPORT

- 1.1. To seek Committee approval to amend the Trading Status of the former CCT Services of Catering and Cleaning within the remit of the Education Committee, identified as a Recommendation in the onsite Best Value Review 2006.

#### 2. BACKGROUND

- 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 of Compulsory Competitive Tendering. The Act combined with guidance from the Scottish Executive allowed Councils to move away from Compulsory Competitive Tendering provided they could prove best value.
- 2.3. The Services provided by onsite are a combination of statutory and non-statutory work. These are; Schools, Welfare and Other Catering and Building Cleaning as defined by the Competitive Tendering Legislation and non-statutory work including Janitorial and School Crossing Patrol Services.

These services operate in an integrated fashion at management and operational level and this produces the most effective, economic and efficient arrangement for service delivery.

- 2.4. The opportunity can now be 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 they 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.

2.5 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 2003.

### **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 as part of the onsite Best Value Review 2006.

### **6 COMMUNITY PLAN IMPLICATIONS**

6.1 The move to the trading status described in this report is consistent with the recommendations of the onsite Best Value Review which places the Community Plan at the centre of the review process, and the closer integration of onsite with Educational and Social Services will improve the sections flexibility and ability to respond to the Community Plan.

## **7 CONCLUSION**

7.1 Trading operations do not fall within the category or criteria of a Significant Trading Operation as defined CIPFA and therefore it is prudent to review the way in which they are accounted for having regard to changes in legislation and accountancy guidelines. It is proposed that the Catering and Cleaning DSOs can be effectively incorporated into the department with the non-statutory Janitorial and School Crossing Services and not treated as separate trading organisations although separate management accounts will be maintained.

## **8 RECOMMENDATIONS**

8.1 It is recommended that the Committee:-

- (i) agree to amend the status of Catering and Cleaning Services and no longer regard them as trading operations with effect from 1 April 2006; and
- (ii) otherwise note the content of this report.

John Mulgrew  
Executive Director of Educational and Social Services

RG  
28 February 2006

### **LIST OF BACKGROUND PAPERS**

1. Local Government Scotland Act 2003

For further information on the contents of this report contact John Mulgrew, Executive Director of Educational and Social Services on (01563 576017).

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