

REPORT TO: DUNDEE CONTRACT SERVICES COMMITTEE – 12 FEBRUARY 2007

REPORT ON: DUNDEE CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

REPORT BY: JOINT REPORT BY HEAD OF FINANCE AND DIRECTOR OF DUNDEE CONTRACT SERVICES

REPORT NO: 108-2007

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Dundee Contract Services (DCS) for the nine months ended 31 December 2006.

2 RECOMMENDATIONS

The Committee is asked to:

- a note the current financial position and operational performance of DCS;
- b note that DCS should exceed the statutory requirement of break even for the third year of the current three year rolling period, which commenced at the start of financial year 2004/2005;
- c note that based on the nine months results the projected annual surplus, with appropriate adjustments, is estimated to be in the region of £595,000.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2006/2007 Revenue Budget included the sum of £475,000 in respect of Dundee Contract Services 2006/2007 surplus being credited to the General Fund.

The surplus at 31 December 2006, totalling £653,372, with appropriate adjustments, gives a projected annual surplus estimated to be in the region of £595,000.

4 SUSTAINABILITY POLICY IMPLICATIONS

None

5 EQUAL OPPORTUNITIES IMPLICATIONS

None

6 BACKGROUND

- 6.1 The Local Government in Scotland Act 2003 (the Act) repealed the Compulsory Competitive Tendering legislation of 1980 and 1988 and replaced it with a requirement for local authorities to maintain and publish accounts for significant trading operations. The Act places a duty on local authorities to conduct such operations so that, over a three-year rolling period, the revenue of the activity at least equals expenditure. The Finance Committee at its meeting on 12 January 2004 agreed that the City Council would publish Statutory Trading Accounts as

required by the Act for those services currently provided by Dundee Contract Services (Report No 786-2003 refers).

- 6.2 The Council's Corporate Plan has, as one of its values, to "efficiently utilise our resources to provide the standards of public service expected by the citizens and at an acceptable cost". It is essential that this value is actioned in the monitoring of Dundee Contract Services and the presentation of a quarterly financial and operational report to Dundee Contract Services Committee is seen as a representation of the achievement of that value.
- 6.3 This monitoring report provides details to the Committee of the financial position and operational performance of Dundee Contract Services in regard to the requirement to meet the surplus set out in the City Council's approved 2006/2007 Revenue Budget and assists Councillors, as committee members, in undertaking their responsibility for the supervision and control of the department.
- 6.4 The department has two main operational activities, being:-

Property Maintenance and Construction Work
Land Services

7 DCS FINANCIAL OPERATING STATEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

- 7.1 The financial operating statement for the nine months to 31 December 2006 is detailed in Appendix 1 and it shows the actual financial position as at that date. It is important to stress that the statement is not end of year projections but simply reports on the period referred to, ie nine months to 31 December 2006. The estimates detailed in the statement are the direct operational budgets of the activities listed.
- 7.2 The financial position of the respective operational activities for the nine months to 31 December 2006 can be summarised as follows:-

| | <u>Surplus/(Deficit)</u> <u>to 31 December 2006</u> |
|--|--|
| | <u>£</u> |
| Property Maintenance and Construction Work | 739,626 |
| Land Services | <u>(86,254)</u> |
| Total Surpluses to 31 December 2006 | <u>653,372</u> |

The department's Statutory Basis surplus for the nine months to 31 December 2006, which includes Capital Charges, amounts to £408,622.

- 7.3 The statement shows that the account is in surplus and, based on the nine months results, the statutory requirement of break even should be exceeded for the third year of the current three-year rolling period, which commenced at the start of financial year 2004/2005.
- 7.4 The actual figures and projected surplus contained within this report take account of the fact that the Housing Repairs Partnership is on a 'cost plus' basis and required to break even by the end of the financial year.

8 DCS OPERATIONAL PERFORMANCE FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

8.1 Trading Results

The actual turnover for the period, detailed in Appendix 1, is higher than anticipated. Comparing the current nine months with the corresponding period of last year Property Maintenance and Construction Work turnover has increased by £1,394,694 and Land Services Work decreased by £403,695 resulting in an overall increase in income of £990,999.

A surplus of £53,372 was achieved during the first nine months of trading compared to £332,181 for the nine months ended 31 December 2005. The overall level of surplus achieved was in line with expectations and reflected the improved financial performance of the property maintenance and contracts teams offset by a reduction in financial activity in the Land Services Section.

The contrasting results of the two sections highlight the importance of generating a certain level of income to enable surpluses to be achieved. The senior management team of the department is currently reviewing all activities of the Land Services Section to identify potential savings and opportunities to increase income. It is hoped that this review will improve the current financial position of the Land Services Section by the end of the financial year.

DCS continues to monitor and evaluate performance through monthly meetings of its Policy and Strategy Group and, in accordance with the department's continuing efforts to improve efficiency, has budgeted for £520,000 expenditure on replacement vehicles, plant and equipment out of the current financial year's surplus. The Director of Dundee Contract Services has conducted a review of investment requirements and anticipates that the department will spend approximately £400,000 on vehicles, plant and equipment during the current financial year, resulting in savings of £120,000.

8.2 Maintenance Work

The programme of work during the period under review was sufficient to keep the permanent workforce fully employed. Activity on External Cyclical Maintenance which is ahead of programme will slow down over the next few months and the workforce will transfer to construction work where the level of activity is expected to increase to compensate.

The Gas and Lift Maintenance service programmes are on target. In addition, during the period April to December 2006, the workforce completed the following day-to-day repairs and planned maintenance work:-

| <u>Description</u> | <u>Number (Estimated)</u> |
|--|---------------------------|
| Housing | |
| Responsive repair jobs including voids but excluding daytime emergencies | 31,355 |
| Emergency Repair Jobs including daytime emergencies | 28,970 |
| External Cyclical Maintenance on Properties | 4,000 |
| Non Housing | |
| Responsive Repair Jobs excluding daytime emergencies | 3,154 |
| Emergency Repair Jobs including daytime emergencies | 2,137 |
| Housing Co-operatives | |
| Responsive Repair Jobs excluding daytime emergencies | 640 |
| Emergency Repair Jobs including daytime emergencies | 325 |

8.3 Construction Work

The volumes of contract work undertaken during the review period were in line with the expected level of activity. The amount of construction work is expected to slightly increase over the next few months and, as planned, operatives from the External Cyclical Programme will transfer to construction work to allow the construction programmes to be maintained.

During the period April to the end of December the following contracts were either won in competition or awarded to DCS:-

| <u>Description</u> | <u>Number</u> | <u>Total Value</u> £ |
|--------------------|---------------|-------------------------|
| Major Contracts | 23 | 7,773,549 |
| Minor Contracts | 108 | 1,028,620 |

8.4 **Land Services**

Land Services have been busy in the first nine months, employed mainly on landscape maintenance works, with all works being completed in accordance with the annual grounds maintenance plan.

The grounds maintenance programme along with orders received for landscape contract work will keep the permanent workforce fully employed for the remainder of the financial year.

8.5 **Training**

DCS's commitment to construction industry training is reflected by the planned recruitment of a further 14 new apprentices during August 2006. This maintains DCS's 10% tradesmen/apprenticeship ratio, which greatly surpasses the construction industry norm. Training and development of all employees is recognised by the department's management team as being critical to maintaining the organisation's success.

The department has been recognised as an Investor in People since 2001.

8.6 **Summary**

It is anticipated that the level of workforce will be sustained for the remainder of the financial year and that the department will achieve all the objectives set down in its Business Action Plan.

9 **BEST VALUE**

Management is currently reviewing all services within the Council to achieve "Best Value". This requires the DCS to prove that it can provide a competitive service that meets its customers' requirements. The customers are principally the tenants of Council Houses and the Director of Dundee Contract Services and the Director of Housing will continue to monitor the service provided to ensure that the Council's commitment to Best Value can be demonstrated.

10 **CONSULTATION**

The Chief Executive and Depute Chief Executive (Support Services) have been consulted in the preparation of this report.

11 **BACKGROUND PAPERS**

Report to the Finance Committee on 12 January 2004, Report No 786-2003

**MARJORY M STEWART
HEAD OF FINANCE**

**ROBERT P JACKSON
DIRECTOR OF DUNDEE CONTRACT SERVICES**

2 FEBRUARY 2007

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
DUNDEE CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2006

| <u>Description</u> | <u>Actual</u> <u>Nine months</u> <u>to 31/12/05</u> <u>£</u> | <u>Actual</u> <u>Nine months</u> <u>to 31/12/06</u> <u>£</u> | <u>Revenue</u> <u>Budget</u> <u>2006/2007</u> <u>£</u> |
|---|---|---|---|
| <u>Property Maintenance and Construction Work</u> | | | |
| Income | 14,209,592 | 15,604,286 | 19,142,203 |
| Expenditure (Excluding Capital Charges) | <u>13,968,310</u> | <u>14,864,660</u> | <u>18,775,203</u> |
| Surplus/(Deficit) | <u>241,282</u> | <u>739,626</u> | <u>367,000</u> |
| | | | |
| <u>Land Services</u> | | | |
| Income | 3,653,740 | 3,250,045 | 5,767,972 |
| Expenditure (Excluding Capital Charges) | <u>3,562,841</u> | <u>3,336,299</u> | <u>5,659,972</u> |
| Surplus/(Deficit) | <u>90,899</u> | <u>(86,254)</u> | <u>108,000</u> |
| | | | |
| <u>Total</u> | | | |
| Income | 17,863,332 | 18,854,331 | 24,910,175 |
| Expenditure (Excluding Capital Charges) | <u>17,531,151</u> | <u>18,200,959</u> | <u>24,435,175</u> |
| Surplus/(Deficit) | <u>332,181</u> | <u>653,372</u> | <u>475,000</u> |