

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 9 MARCH 2009

REPORT ON: CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE NINE MONTHS ENDED 31 DECEMBER 2008

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

REPORT NO: 120-2009

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Contract Services for the nine months ended 31 December 2008.

2 RECOMMENDATIONS

The Committee is asked to:

- a note the current financial position and operational performance of Contract Services; and
- b note that Contract Services 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 2006/2007.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2008/2009 Revenue Budget included the sum of £778,000 in respect of Contract Services 2008/2009 surplus being credited to the General Fund. The surplus at 31 December 2008, which amounts to £696,415 with appropriate adjustments, indicates that the budgeted annual surplus of £778,000 will be achieved.

4 MAIN TEXT

- 4.1 Reference is made to Report number 786-2003 to the Finance Committee of 12 January 2004 where it was agreed that the City Council would publish Statutory Trading Accounts, as required by the Local Government in Scotland Act 2003 (the Act), for those services currently provided by Contract Services. The Act places a duty on local authorities to conduct such services so that, over a three year rolling period, the revenue generated at least equals the expenditure incurred. In addition, the Council's Plan 2007-2011 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". The presentation of a quarterly financial and operational report to the Housing, Dundee Contract Services and Environment Services Committee is seen as a representation of the achievement of that value.
- 4.2 This monitoring report provides details to the Committee of the financial position and operational performance of Contract Services in regard to the requirement to meet the surplus set out in the City Council's approved 2008/2009 Revenue Budget and assists Councillors, as committee members, in undertaking their responsibility for the supervision and control of the department.

4.3 The department has two main operational activities, being:

- Property Maintenance and Construction Work
- Land Services

5 CONTRACT SERVICES FINANCIAL OPERATING STATEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2008

5.1 The financial operating statement for the nine months to 31 December 2008 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, i.e. nine months to 31 December 2008. The estimates detailed in the statement are the direct operational budgets of the activities listed.

5.2 The financial position of the respective operational activities for the nine months to 31 December 2008 can be summarised as follows:-

	<u>Surplus/(Deficit)</u> <u>to 31 Dec 2008</u>
	£
Property Maintenance and Construction Work	546,009
Land Services	<u>150,406</u>
Total Surpluses to 31 December 2008	<u>696,415</u>

The department's Statutory Basis surplus for the nine months to 31 December 2008, which includes Capital Charges, amounts to £549,415.

5.3 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 2006/2007.

5.4 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.

6 CONTRACT SERVICES OPERATIONAL PERFORMANCE FOR THE NINE MONTHS ENDED 31 DECEMBER 2008

6.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, has reduced by £140,914 when compared with the corresponding period of last year. This is due to a decrease in turnover on Ground Maintenance Work of £223,232, which was partially offset by an increase in turnover of £82,318 on Property Maintenance and Construction Work.

A surplus of £696,415 was achieved during the nine months of trading compared to £931,630 for the nine months ended 31 December 2007. This partly reflects the decrease in turnover as detailed above as well as the current competitive climate within the construction industry.

Contract Services continues to monitor and evaluate performance through meetings of its senior Management Team.

6.2 Maintenance Work

Housing Repairs and Maintenance is carried out under the terms of a Partnership Agreement established in 2004. Performance in this area is closely scrutinised by a Management Board comprising senior managers from Housing, Finance and Contract Services and by a Partnership Board, which includes representatives of the Dundee Federation of Tenants' Association. The trend in both value of work and numbers of jobs continues to be downward for responsive repairs, as does the number of tradesmen which this work can support. The department has been successful in winning work with other public sector bodies including Fife Council and Angus Housing Association. It continues to actively explore other opportunities to secure new areas of work with other public sector bodies to assist in the management of its resources in the future.

Non-housing property maintenance also operates under a Partnership Agreement and the trend in both value and content of this work is in line with previous years.

<u>Description</u>	<u>Number (Estimated)</u>
Housing	
Responsive repair jobs including voids but excluding daytime emergencies	28,200
Emergency Repair Jobs including daytime emergencies	26,500
External Cyclical Maintenance on Properties	3,050
Non Housing	
Responsive Repair Jobs excluding daytime emergencies	2,650
Emergency Repair Jobs including daytime emergencies	1,750

6.3 Construction Work

Contract Services is one of the Housing Department's key partners in delivering the Scottish Housing Quality Standard and is involved in a rolling programme of kitchen and bathroom replacements as well as heating replacement, rewire and roofing contracts. Much of this work is done under partnering arrangements, delivering on Best Value objectives. The Department is committed to partnership working as the way ahead.

During the period April to the end of December the following contracts were secured:

<u>Description</u>	<u>Number</u>	<u>Total Value</u> <u>£</u>
Major Contracts	24	7,000,000
Minor Contracts	109	950,000

6.4 Land Services

In the nine months, Land Services have been employed, mainly, on landscape maintenance works, with all works being completed in accordance with the annual grounds maintenance plan. Activity in Land Services was hampered by adverse weather conditions during the summer months.

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.

6.5 **Training**

The department's commitment to construction industry training is reflected by the recruitment of a further twelve new apprentices during August 2008. This maintains Contract Service's 10% tradesmen/apprenticeship ratio, which greatly surpasses the construction industry norm. As a consequence of the current problems within the construction industry, the department has also agreed to taking on a further two apprentices who were in their final year and who had been recently made redundant. This will enable these young people to complete their studies and apprenticeship.

In addition to the apprentices, the department invests heavily in training, particularly in relation to Health & Safety, and is committed to the principles of Lifelong Learning set out in the Community Plan. 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 maintained its status as an Investor in People.

6.6 **Summary**

Contract Services plays a significant role in the achievement of the Council's objectives of modernising and improving services and making best use of public resources. The Department recognises the contribution which its employees make and invests heavily in their training and development. The department plays a key role in responding to challenges on sustainability and waste management issues and plays its part in Building Stronger Communities.

7 **POLICY IMPLICATIONS**

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

8 **CONSULTATION**

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

9 **BACKGROUND PAPERS**

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

MARJORY STEWART
HEAD OF FINANCE
6 FEBRUARY 2009

KEN LAING
DIRECTOR OF CONTRACT SERVICES

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE NINE MONTHS ENDED 31 DECEMBER 2008

<u>Description</u>	<u>Actual</u> <u>Nine months</u> <u>to 31/12/07</u> <u>£</u>	<u>Actual</u> <u>Nine months</u> <u>to 31/12/08</u> <u>£</u>	<u>Estimate</u> <u>Year</u> <u>2008/2009</u> <u>£</u>
<u>Property Maintenance and Construction Work</u>			
Income	15,247,284	15,329,602	20,922,490
Expenditure	<u>14,682,110</u>	<u>14,783,593</u>	<u>20,381,490</u>
Surplus/(Deficit)	<u>565,174</u>	<u>546,009</u>	<u>541,000</u>
<u>Land Services</u>			
Income	3,947,485	3,724,253	5,485,664
Expenditure	<u>3,581,029</u>	<u>3,573,847</u>	<u>5,248,664</u>
Surplus/(Deficit)	<u>366,456</u>	<u>150,406</u>	<u>237,000</u>
<u>Total</u>			
Income	19,194,769	19,053,855	26,408,154
Expenditure	<u>18,263,139</u>	<u>18,357,440</u>	<u>25,630,154</u>
Surplus/(Deficit)	<u>931,630</u>	<u>696,415</u>	<u>778,000</u>