

REPORT TO: ENVIRONMENT COMMITTEE – 10 SEPTEMBER 2012

REPORT ON: TRADING OPERATIONS FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2012

REPORT BY: JOINT REPORT BY DIRECTOR OF CORPORATE SERVICES AND DIRECTOR OF ENVIRONMENT

REPORT NO: 313-2012

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of trading operation within the Environment Department for the three months ended 30th June 2012.

2 RECOMMENDATIONS

The Committee is asked to:

- a note the current financial position and operational performance for trading operations; and
- b note that the trading operation 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 2010/2011.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2012/2013 Revenue Budget included the sum of £308,000 in respect of Contract Services 2012/2013 surplus being credited to the General Fund. The surplus at 30 June 2012 amounts to £188,760 which with appropriate adjustments indicates that the budgeted annual surplus 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 provided by the former Contract Services Department. 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.
- 4.2 In addition, the Council's Plan 2010-2012 has, as one of its values, to "efficiently utilise our resources to provide the highest standards of public service expected by the citizens and at an acceptable cost". The presentation of a quarterly financial and operational report to the Environment Committee is seen as a representation of the achievement of that value.

4.3 This monitoring report provides details to the Committee of the financial position and operational performance of the trading operation in regard to the requirement to meet the surplus set out in the City Council's approved 2012/2013 Revenue Budget and assists Councillors, as committee members, in undertaking their responsibility for the supervision and control of the department.

5 FINANCIAL OPERATING STATEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2012

5.1 The financial operating statement for the three months to 30 June 2012 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 three months to 30 June 2012. The estimates detailed in the statement are the direct operational budgets of the activities listed.

5.2 The statement shows that the account is in surplus and, based on the three 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 2010/2011.

5.3 The actual figures and budgeted 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 OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2012

6.1 Trading Results

In spite of difficult trading conditions within the construction industry, performance for the three month period has been in line with expectations, and a surplus of £188,760 achieved (Statutory Basis surplus £168,237). However, the prevailing market conditions and the requirement for the department to ensure competitiveness with the private sector, will result in challenging conditions for the rest of the year.

The department 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 and extended for a further five years in 2009. Performance in this area is closely scrutinised by a Management Board comprising senior managers from Housing, Finance and Environment departments 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 has remained constant over the three month period. External Cyclical Maintenance is in line with programme and progress is being monitored and regulated to achieve budget spend. The department has been successful in winning work in competition for Sanctuary Housing Association and Angus Housing Association. It continues to explore opportunities for new areas of work with other public sector bodies to assist in the management of its resources.

Non-housing property maintenance also operates under a Partnership Agreement and the trend in both value and content of this work has risen in comparison with the corresponding period last year

<u>Description</u>	<u>Number (Estimated)</u>
Housing	
Responsive repair jobs including voids but excluding daytime emergencies	8200
Emergency Repair Jobs including daytime emergencies	8950
External Cyclical Maintenance on Properties	450
Non Housing	
Responsive Repair Jobs excluding daytime emergencies	797
Emergency Repair Jobs including daytime emergencies	591

6.3 **Construction Work**

The Environment Department's Construction Division 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 continues to win a significant proportion of its work through competitive tender.

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

<u>Description</u>	<u>Number</u>	<u>Total Value</u> £
Major Contracts	26	£3,475,000
Minor Contracts	31	460,000

6.5 **Training**

The department's commitment to construction industry training is reflected by the recruitment of a further six new apprentices during 2012/13. This maintains the Trading Operations 10% tradesmen/apprenticeship ratio, which greatly surpasses the construction industry norm.

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.

6.6 **Summary**

The trading activities within the Environment Department play 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 and Head of Legal and Democratic Services have been consulted in the preparation of this report. No concerns were expressed.

9 BACKGROUND PAPERS

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

MARJORY STEWART
DIRECTOR OF CORPORATE SERVICES
9 AUGUST 2012

KEN LAING
DIRECTOR OF ENVIROMENT

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
TRADING OPERATION PERFORMANCE MONITORING REPORT
FOR THE THREE MONTHS ENDED 30 JUNE 2012

<u>Description</u>	<u>Actual</u> <u>Year</u> <u>2011/2012</u> <u>£</u>	<u>Actual</u> <u>Three months</u> <u>to 30/06/12</u> <u>£</u>	<u>Estimate</u> <u>Year</u> <u>2012/2013</u> <u>£</u>
<u>Property Maintenance and Construction Work</u>			
Income	26,601,690	6,294,947	26,529,000
Expenditure	<u>26,249,666</u>	<u>6,106,187</u>	<u>26,221,000</u>
Surplus/(Deficit)	<u>352,024</u>	<u>188,760</u>	<u>308,000</u>