

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 14th SEPTEMBER 2009

REPORT ON: CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2009

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

REPORT NO: 366-2009

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Contract Services for the three months ended 30 June 2009.

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 2007/2008.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2009/2010 Revenue Budget included the sum of £562,000 in respect of Contract Services 2009/2010 surplus being credited to the General Fund. The surplus at 30 June 2009, which amounts to £194,369 with appropriate adjustments, indicates that the budgeted annual surplus of £562,000 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 2009/2010 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 THREE MONTHS ENDED 30 JUNE 2009**

5.1 The financial operating statement for the three months to 30 June 2009 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 2009. 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 three months to 30 June 2009 can be summarised as follows:-

	<u>Surplus/(Deficit)</u> <u>to 30 June 2009</u>
	<u>£</u>
Property Maintenance and Construction Work	131,920
Land Services	<u>62,719</u>
Total Surpluses to 30 June 2009	<u>194,639</u>

The department's Statutory Basis surplus for the three months to 30 June 2009, which includes Capital Charges, amounts to £200,778.

5.3 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 2007/2008.

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 THREE MONTHS ENDED 30 JUNE 2009**

6.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, has increased by £573,586 when compared with the corresponding period of last year. This is due to an increase in turnover on Ground Maintenance Work of £84,765, and an increase in turnover on Property Maintenance and Construction Work of £488,821.

A surplus of £194,639 was achieved during the first three months of trading compared to £213,524 for the three months ended 30 June 2008. The level of surplus has been adversely affected by the prevailing market conditions within the construction industry and the need for the department to ensure competitiveness against the private sector.

Contract Services department continues to monitor and evaluate performance through regular 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 recently 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 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 has remained constant whilst works to prepare void property for relet have increased significantly over the first three months. External Cyclical Maintenance is slightly ahead of programme and progress is being monitored and regulated to achieve budget spend. The department has been successful in winning work in competition for Fife Council 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 is reducing compared with previous years.

<u>Description</u>	<u>Number (Estimated)</u>
Housing	
Responsive repair jobs including voids but excluding daytime emergencies	8,613
Emergency Repair Jobs including daytime emergencies	8,679
External Cyclical Maintenance on Properties	956
Non Housing	
Responsive Repair Jobs excluding daytime emergencies	1,159
Emergency Repair Jobs including daytime emergencies	814

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 has recently completed the successful refurbishment of Downfield Primary School to office accommodation and remains committed to partnership working.

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	22	3,444,231
Minor Contracts	34	318,932

6.4 Land Services

In the first three 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 has been hampered by adverse weather conditions during the first three 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 nine new apprentices during 2009/10. This maintains Contract Service's 10% tradesmen/apprenticeship ratio, which greatly surpasses the construction industry norm. In addition, the department has this year recruited a further four apprentices who were in the final year of their apprenticeship and who have recently been made redundant due to the current downturn within the construction industry. This short term employment will enable these apprentices to complete their training and apprenticeships.

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. No concerns were expressed.

9 **BACKGROUND PAPERS**

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

MARJORY STEWART
HEAD OF FINANCE
31 JULY 2009

KEN LAING
DIRECTOR OF CONTRACT SERVICES

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE THREE MONTHS ENDED 30 JUNE 2009

<u>Description</u>	<u>Actual</u> <u>Three months</u> <u>to 30/06/08</u> <u>£</u>	<u>Actual</u> <u>Three months</u> <u>to 30/06/09</u> <u>£</u>	<u>Estimate</u> <u>Year</u> <u>2009/2010</u> <u>£</u>
<u>Property Maintenance and Construction Work</u>			
Income	4,976,852	5,465,673	21,422,000
Expenditure	<u>4,767,093</u>	<u>5,333,753</u>	<u>21,018,000</u>
Surplus/(Deficit)	<u>209,759</u>	<u>131,920</u>	<u>404,000</u>
<u>Land Services</u>			
Income	1,259,568	1,344,333	5,419,000
Expenditure	<u>1,255,803</u>	<u>1,281,614</u>	<u>5,261,000</u>
Surplus/(Deficit)	<u>3,765</u>	<u>62,719</u>	<u>158,000</u>
<u>Total</u>			
Income	6,236,420	6,810,006	26,841,000
Expenditure	<u>6,022,896</u>	<u>6,615,367</u>	<u>26,279,000</u>
Surplus/(Deficit)	<u>213,524</u>	<u>194,639</u>	<u>562,000</u>