

REPORT TO: HOUSING, DUNDEE CONTRACT SERVICES AND ENVIRONMENT SERVICES COMMITTEE – 26 NOVEMBER 2007

REPORT ON: CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

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

REPORT NO: 427-2007

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Contract Services for the six months ended 30 September 2007.

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 2005/2006.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2007/2008 Revenue Budget included the sum of £839,000 in respect of Contract Services 2007/2008 surplus being credited to the General Fund. The surplus at 30 September 2007, which amounts to £714,685 with appropriate adjustments, indicates that the budgeted annual surplus of £839,000 will be achieved.

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- 6.1 The Local Government in Scotland Act 2003 (the Act) repealed the Compulsory Competitive Tendering legislation of 1980 and 1988 and replaced it with a requirement for local authorities to maintain and publish accounts for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 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 Contract Services and the presentation of a quarterly financial and operational report to 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 Contract Services in regard to the requirement to meet the surplus set out in the City Council's approved 2007/2008 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 **CONTRACT SERVICES FINANCIAL OPERATING STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

- 7.1 The financial operating statement for the six months to 30 September 2007 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 six months to 30 September 2007. 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 six months to 30 September 2007 can be summarised as follows:-

	<u>Surplus/(Deficit)</u> <u>to 30 Sept 2007</u>
	<u>£</u>
Property Maintenance and Construction Work	479,474
Land Services	<u>235,211</u>
Total Surpluses to 30 September 2007	<u>714,685</u>

The department's Statutory Basis surplus for the six months to 30 September 2007, which includes Capital Charges, amounts to £575,685.

- 7.3 The statement shows that the account is in surplus and, based on the six 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 2005/2006.
- 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 **CONTRACT SERVICES OPERATIONAL PERFORMANCE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007**

8.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, has increased by £976,252 when compared with the corresponding period of last year. This is due to an increase in turnover on Ground Maintenance Work of £356,184 and an increase on Property Maintenance and Construction Work of £620,068.

A surplus of £714,685 was achieved during the first six months of trading compared to £510,256 for the six months ended 30 September 2006. This surplus was better than anticipated and a result of improved financial performance on both land services and construction work.

Contract Services continues to monitor and evaluate performance through meetings of its Policy and Strategy Group which membership comprises of the Senior Management Team.

8.2 **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. Works to prepare void property for relet remains fairly constant. External Cyclical Maintenance is currently well ahead of programme. The department is actively exploring opportunities to identify 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	18,031
Emergency Repair Jobs including daytime emergencies	16,877
External Cyclical Maintenance on Properties	3,025
Non Housing	
Responsive Repair Jobs excluding daytime emergencies	2,906
Emergency Repair Jobs including daytime emergencies	2,750

8.3 **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. It had demonstrated considerable successes both in Housing and Non-Housing Projects such as Unit T Claverhouse, delivered in partnership with the Social Work Department and NHS Tayside.

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

<u>Description</u>	<u>Number</u>	<u>Total Value</u> £
Major Contracts	24	5,752,415
Minor Contracts	35	894,159

8.4 **Land Services**

Land Services have been very busy in the first six months, employed mainly on landscape maintenance works, with all works being completed in accordance with the annual grounds maintenance plan. Activity in Land Services is significantly ahead of the same period last year and more in line with activity for the same period in previous years.

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**

The department's commitment to construction industry training is reflected by the recruitment of a further nine new apprentices during August 2007. This maintains Contract Service'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.

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.

The department has maintained its status as an Investor in People.

8.6 **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.

The department's managers and employees are now in the process of preparing a service plan for 2007/2011, using the EFQM Excellence model, which will ensure that Contract Services will continue to make a significant contribution to the achievement of the Councils' objectives.

9 **CONSULTATION**

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

10 **BACKGROUND PAPERS**

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

MARJORY STEWART
HEAD OF FINANCE
1 NOVEMBER 2007

KEN LAING
DIRECTOR OF CONTRACT SERVICES

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

<u>Description</u>	<u>Actual</u> <u>Six months</u> <u>to 30/09/06</u> <u>£</u>	<u>Actual</u> <u>Six months</u> <u>to 30/09/07</u> <u>£</u>	<u>Estimate</u> <u>Year</u> <u>2007/2008</u> <u>£</u>
<u>Property Maintenance and Construction Work</u>			
Income	9,810,667	10,430,735	20,520,536
Expenditure	<u>9,306,398</u>	<u>9,951,261</u>	<u>19,964,536</u>
Surplus/(Deficit)	<u>504,269</u>	<u>479,474</u>	<u>556,000</u>
<u>Land Services</u>			
Income	2,410,296	2,766,480	5,092,299
Expenditure	<u>2,404,309</u>	<u>2,531,269</u>	<u>4,809,299</u>
Surplus/(Deficit)	<u>5,987</u>	<u>235,211</u>	<u>283,000</u>
<u>Total</u>			
Income	12,220,963	13,197,215	25,612,835
Expenditure	<u>11,710,707</u>	<u>12,482,530</u>	<u>24,773,835</u>
Surplus/(Deficit)	<u>510,256</u>	<u>714,685</u>	<u>839,000</u>