

REPORT TO: DUNDEE CONTRACT SERVICES COMMITTEE – 15 AUGUST 2005

REPORT ON: DUNDEE CONTRACT SERVICES FINANCIAL OPERATING STATEMENT AND OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2005

REPORT BY: JOINT REPORT BY DEPUTE CHIEF EXECUTIVE (FINANCE) AND DIRECTOR OF DUNDEE CONTRACT SERVICES

REPORT NO: 478-2005

1 PURPOSE OF REPORT

To appraise the Committee on the financial position and operational performance of Dundee Contract Services (DCS) for the three months ended 30 June 2005.

2 RECOMMENDATIONS

The Committee is asked to:

- a note the current financial position and operational performance of DCS;
- b notes the actions Dundee Contract Services management are taking in an effort to achieve the current financial year's budgeted surplus of £755,000;
- c notes that the statutory requirement of break even should be exceeded for the third year of a three-year rolling period.

3 FINANCIAL IMPLICATIONS

The City Council's approved 2005/2006 Revenue Budget included the sum of £755,000 in respect of Dundee Contract Services 2005/2006 surplus being credited to the General Fund.

As a result of the introduction of the Housing Repairs Partnership Agreement, which is on a 'cost plus' basis, surpluses generated from this service are now returned to the Housing Revenue Account. This work represents a significant proportion of DCS's turnover and has affected the department's ability to achieve previous levels of surpluses. Therefore, consideration may have to be given to reducing future year's budgeted Contributions to the General Fund.

The cash basis surplus at 30 June 2005, being the enclosed statement with appropriate adjustments, gives a projected annual cash basis surplus estimated to be in the region of £600,000 a shortfall of £155,000 against the budgeted sum of £755,000.

4 LOCAL AGENDA 21 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- 6.1 The Local Government in Scotland Act 2003 (the Act) repealed the Compulsory Competitive Tendering legislation of 1980 and 1988 and replaced it with a requirement for local authorities to maintain and publish accounts for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 2005/2006 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 THREE MONTHS ENDED 30 JUNE 2005**

- 7.1 The financial operating statement for the three months to 30 June 2005 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 2005. The statement includes an allowance for notional capital charges in line with accounting requirements, however these charges are reversed out and loan charges included and this generates a higher cash basis surplus, which is returned to the Council's General Fund. The estimates detailed in the statement are the direct operational budgets of the activities listed.
- 7.2 The financial position (including capital charges) of the respective operational activities for the three months to 30 June 2005 can be summarised as follows:-

	<u>Surplus/(Deficit)</u> <u>to 30 June 2005</u> £
Property Maintenance and Construction Work	22,912
Land Services	<u>82,827</u>
Total Surpluses to 30 June 2005	<u>105,739</u>

- 7.3 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 a three-year rolling period.

- 7.4 The actual figures and projected surplus contained within this report take account of the fact that the Housing Repairs Partnership Service is on a 'cost plus' basis and required to break even by the end of the financial year.

8 **DCS OPERATIONAL PERFORMANCE FOR THE THREE MONTHS ENDED 30 JUNE 2005**

8.1 **Trading Results**

The actual turnover for the period, detailed in Appendix 1, is lower than anticipated and has decreased by £424,883 when compared with the corresponding period of last year. This reduction in income is due to a downturn in Land Services Work of £78,003 and Property Maintenance and Construction Work of £346,880.

The first three months trading results show the surplus at £105,739 compared to £451,361 for the three months ended 30 June 2004 and reflects a reduction in activity of construction contract work, the main area of business from which surpluses are generated.

DCS continues to monitor and evaluate performance through monthly meetings of its Business Planning Group. The department has budgeted for £508,500 expenditure on vehicles, plant and equipment out of the 2005/2006 estimated surplus. A review of investment requirements is currently being undertaken with a view to deferring purchases that will result in savings during the current financial year. In addition, the Director of Dundee Contract Services is targeting reductions in overhead expenditure, which will generate savings of £250,000 per annum.

8.2 **Maintenance Work**

The programme of work during the period under review was sufficient to keep the workforce fully employed and it is anticipated that the current level of activity will be maintained throughout the remainder of the financial year.

The Gas and Lift Maintenance service programmes are on target. In addition, during the period April to June 2005, 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	12,591
Emergency Repair Jobs including daytime emergencies	7,711
External Cyclical Maintenance on Properties	1,375
Non Housing	
Responsive Repair Jobs	1,262
Emergency Repair Jobs	65
Housing Co-operatives	
Responsive Repair Jobs including daytime emergencies	750
Emergency Repair Jobs excluding daytime emergencies	50

8.3 **Construction Work**

The volumes of contract work undertaken during the review period were below the anticipated level of activity. The amount of construction work has fallen over the last three months and is expected to remain at current levels over the next few months. This should ensure the workforce is fully employed.

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

<u>Description</u>	<u>Number</u>	<u>Total Value</u> £
Major Contracts	24	2,890,217
Minor Contracts	57	452,816

8.4 **Land Services**

The first three months have been very busy and difficult due to poor weather especially during the early summer months. Despite the weather, all cyclical work has been completed in accordance with the annual grounds maintenance plan. In addition, the department has been able to maintain the lifting and removal of grass cuttings generated from work undertaken on sheltered housing and for the elderly and disabled under the garden maintenance scheme during the grass cutting season.

8.5 **Training**

DCS's commitment to construction and horticultural industry training is reflected by the recruitment of a further 14 new apprentices, 10 construction, 2 land services and 2 mechanics, during August 2005. This maintains DCS's 10% tradesmen/apprenticeship ratio, which greatly surpasses the construction and horticultural 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 for its commitment to training with accreditation to the prestigious Investors in People standard.

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 following Chief Officers have been consulted in the preparation of the report, Chief Executive and Depute Chief Executive (Support Services).

11 **BACKGROUND PAPERS**

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

DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)

ROBERT P JACKSON
DIRECTOR OF DUNDEE CONTRACT SERVICES

4 AUGUST 2005

DUNDEE CITY COUNCIL - FINANCE DEPARTMENT
DUNDEE CONTRACT SERVICES PERFORMANCE MONITORING REPORT
FOR THE THREE MONTHS ENDED 30 JUNE 2005

<u>Description</u>	<u>Actual</u> <u>Three months</u> <u>to 30/06/04</u> <u>£</u>	<u>Actual</u> <u>Three months</u> <u>to 30/06/05</u> <u>£</u>	<u>Estimate</u> <u>Year</u> <u>2005/2006</u> <u>£</u>
<u>Property Maintenance and Construction Work</u>			
Income	4,699,581	4,352,701	18,493,903
Expenditure (incl Estimated Capital Charges)	<u>4,374,928</u>	<u>4,329,789</u>	<u>17,838,903</u>
Surplus/(Deficit)	<u>324,653</u>	<u>22,912</u>	<u>655,000</u>
<u>Land Services</u>			
Income	1,259,213	1,181,210	5,765,542
Expenditure (incl Estimated Capital Charges)	<u>1,132,505</u>	<u>1,098,383</u>	<u>5,665,542</u>
Surplus/(Deficit)	<u>126,708</u>	<u>82,827</u>	<u>100,000</u>
<u>Total</u>			
Income	5,958,794	5,533,911	24,259,445
Expenditure (incl Estimated Capital Charges)	<u>5,507,433</u>	<u>5,428,172</u>	<u>23,504,445</u>
Surplus/(Deficit)	<u>451,361</u>	<u>105,739</u>	<u>755,000</u>